

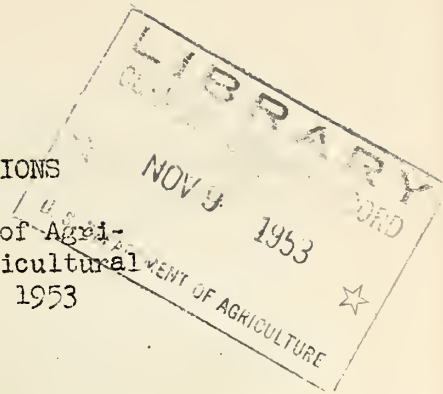
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UNITED STATES DEPARTMENT OF AGRICULTURE
Bureau of Agricultural Economics

ADJUSTMENTS ON COTTON FARMS TO MEET CHANGING CONDITIONS

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The ideal or ultimate goal of southern agriculture should be to provide incomes to southern farmers comparable with those of farmers in other areas and with those in other occupations. To attain or even approach this goal means significant adjustments in southern farming.

In recent years the production of cotton has become of major importance in Arizona, California, and New Mexico. Because of their recent entry into cotton production the organizations found on most cotton farms in these States are in better adjustment with modern technology than are organizations on farms in the South where cotton has been grown for generations. Therefore, some of the adjustment problems considered in this paper are applicable primarily to the South. However, much of the discussion applies to the entire cotton industry.

Broadly speaking, the problems of cotton farmers involve adjustments in the use of resources to meet the changed and changing conditions of production and demand. An analysis of these changing conditions should be helpful in appraising adjustments that cotton farmers might make.

Domestic Demand for Cotton

The level of domestic mill consumption of cotton next year and in the future will depend largely on (1) the level of economic activity and disposable income in this country, (2) the competition from synthetic fibers, and (3) the increase in population.

Since the end of World War II the per capita consumption of all fibers in the United States has averaged about 41.5 pounds annually. This is about 10 pounds more than the average during 1925-29--another period of high business activity, (table 1). In 1925-29 cotton accounted for about 86 percent of the per capita consumption of all fibers compared with only 70 percent in 1948-52. However, per capita consumption of cotton was about 2.5 pounds higher during 1948-52 than during 1925-29. Because of increased per capita consumption and a larger population total domestic consumption of cotton was 60 percent higher in 1948-52 than in 1925-29. Future population increases will mean a larger market for cotton. If per capita consumption is maintained at the average of the last 5 years and if population increases at the present rate of about 2 million per year, the increase in consumption of cotton would be about 125,000 bales annually--one million bales in 8 years. However, exports of yarns and fabrics and textiles used by the military may not continue at as high a level as during the last 5 years. Thus, with the maintenance of a fairly high level of economic

activity the domestic demand 5 years hence might be close to 10 million bales.

Exports

Because of the many imponderables, including world economic conditions, international trade, monetary policies, and programs of the various nations pertaining to cotton and artificial fibers, no firm estimates can be made of the effective export demand for United States cotton in future years. In the immediate future the relative prices of U. S. cotton and competing growths, the dollar exchange position of the various importing countries and the foreign aid programs of the United States will be important determinants of the volume of exports.

Over the longer pull, there are some forces which will tend to increase the exports of United States cotton and some which will tend to decrease them. Among the first group are: (1) a larger world population, (2) the possibility of greater per capita consumption of all fibers, and (3) pressure in some exporting countries to expand the production of food crops. Some factors which may tend to decrease our exports of cotton are: (1) improved production practices and higher yields in some exporting countries; (2) some importing countries may expand the production of synthetic fibers in order to use their own resources including labor, and (3) the tendency on the part of some importing countries to buy or barter cotton from soft currency countries and save their dollars to purchase other goods and commodities from the United States. Thus, we are compelled to say that there is considerable uncertainty in regard to prospects for exports.

Exports from the United States during 1953-54 are estimated at 3.3 million bales compared with 3 million bales during 1952-53 and an average of about 5 million bales during 1935-39.

The Current Production-Disappearance Unbalance

Since 1944 there have been only two years, 1947 and 1951, in which production and disappearance were about equal. In 1945, 1946, and 1950 stocks were reduced 4 to 5 million bales each year. The 1952 and 1953 crops exceeded disappearance by approximately 3 million bales each year. And, the carry-over on August 1954 is estimated at about 8.4 million bales. We have had 3 crops in succession which were larger than 15 million bales. This appears to indicate that production and disappearance are unbalanced at present prices. It should be pointed out, however, that at planting time in 1951 and 1952 the prices of lint were considerably higher than present prices and that the acreage planted in 1953 was nearly 10 percent below the acreage planted in 1952 even though some farmers might have maintained or increased their acreage in 1953 partly in anticipation of marketing quotas in 1954. However, with 5-year average (1948-52) yields the production in 1953 would have been about 14.2 million bales instead of the estimated 15.6 million bales resulting from the highest harvested acreage yield on record. Even so, production with average yields would have exceeded prospective

disappearance. The supply situation is such that acreage allotments and marketing quotas have been proclaimed for 1954. The referendum on quotas will be held on December 15, 1953.

Changes in Conditions of Production

Conditions affecting the production of cotton are also important. Some of the chief forces affecting the production of cotton and its place in farming systems are: (1) nonfarm employment opportunities, (2) a reduction in the supply of farm labor and higher wage rates, (3) potential increase in the demand for locally produced milk, meat, eggs, fruits and vegetables, and (4) technological developments for cotton and other alternative enterprises. These factors as well as general economic conditions will affect the prices received for farm products and the cost of materials and services used in production. This in turn will affect the competitive position of cotton for farm resources.

Nonfarm Employment

Evidences of increased industrialization are observed as one travels through the South. It is also reflected in statistics of employment and population. Employees in non-agricultural establishments in the 13 southern States increased from about 6 million in 1940 to more than 10 million in 1952--an increase of more than two-thirds, (table 2). The greatest percentage increase occurred in Texas where it was about 100 percent and the smallest in Mississippi where it was about 50 percent.

It appears reasonable to expect industrialization in the South to continue to increase under conditions of an expanding national economy. This is very important to the South because employment in industry is a profitable alternative for labor which is one of the South's most important resources. In 1949 about 300,000 or one-third of the commercial farmers growing cotton had gross sales of less than \$1,200 per farm and another one-third had gross sales between \$1,200 and \$2,500. A very high percentage of these farms are in the Southeast and the Mid-South. The first group produced 7 percent of the cotton in 1949 and the second group produced 15 percent. During 1949-51 the average gross cash farm income on a typical small cotton farm in the Piedmont was about \$1,100 and net farm income including products furnished the home was about \$880 or 34 cents per hour. Thus, incomes on cotton farms of this size are considerably lower than incomes from nonfarm occupations.

Supply of Farm Labor and Farm Wage Rates

Largely because of increased urbanization in the South and migration from the region, the composition of the population is changing. Total population in the South increased about 27 percent between 1930 and 1952 (table 3). But the farm population decreased nearly a fourth. Farm population in the South represented only 28 percent of the total population in 1952 compared with 45 percent in 1930.

Between 1940 and 1952 farm employment in the southern States decreased about one-fourth, (table 4). This percentage decrease is considerably greater than for any other major agricultural region.

The composition of the labor force in the South is changing. There were one-fourth fewer hired farm workers in 1952 than in 1940. The number of share croppers decreased more than a third between 1940 and 1950.

The number of other tenants remained about the same, but the number of owner and part-owner operators increased about 13 percent. Thus, it appears that a higher proportion of the farms are operated with family labor.

Industrialization, a smaller supply of farm labor, and the higher price level have resulted in considerably higher farm wage rates. Hourly composite farm wage rates in the South were over 4 times as high in 1952 as in 1940, (tables 5 and 6). Furthermore, farm wage rates have increased more rapidly than have other input items. In 1952 the United States indexes of prices paid (1910-14 = 100) were 151 for fertilizer, 154 for motor supplies, 293 for farm machinery and 263 for farm supplies. The index of farm wage rates was 467. Index of prices received for cotton was 309.

Farm wage rates have long been relatively low in the South. This was favorable to enterprises such as cotton which required relatively large quantities of labor in relation to other factors of production. Will the higher wage rates affect the competitive position of high labor-using enterprises for the use of farm resources? Will labor become the limiting factor on more farms?

Growing Demand for Locally Produced Farm Products

Greater urbanization and an expanding population will increase the demand for locally produced milk, meat, eggs, fruits, and vegetables. There are more consumers in the cities and towns and higher incomes resulting from nonfarm employment which means greater consumption of these products. The per capita consumption of fluid milk products in the South is only about half as large as that for the country as a whole. This offers a large market potential. Educational and other programs may be needed to encourage greater per capita consumption, but if the potential can be made a reality, there is room for considerable expansion in the production of grade A milk in the South. The same is true to a large extent for eggs, poultry, small fruits and vegetables.

These expanded markets will improve the competitive positions of these products in farming systems. The competitive position of farmers near these markets will be enhanced compared with farmers in other areas.

Farm Technology

Developments in farm technology may be grouped into two broad categories:

(1) those that increase yield per acre or production per animal (greater use

of fertilizer and more effective control of insects are good examples), and (2) those developments that reduce labor requirements without materially affecting yields per acre. Farm mechanization is an example.

Yield increasing practices. The increases that have occurred in yield per acre of cotton is evidence that improved practices have been adopted on many farms. The United States average yield per acre in cultivation July 1 was 107 pounds or 63 percent higher in 1946-52 than in 1928-32. About one-third of this increase is due to shift in location of production among areas, but the remaining 70 pounds or two-thirds is due primarily to land selection on the individual farm and to greater use of improved production practices such as wider use and heavier application of fertilizer, better seed, more effective insect control, and better cultural practices.

Improved production practices are also being used on other enterprises and are reflected in higher yields. Flue cured tobacco yields are 70 percent higher than 20 years ago. Yields of soybeans, corn and oats are considerably higher. Perhaps the outstanding example of higher yields is in pasture. Improved production techniques have increased carrying capacity several-fold in the humid areas of the South. The quality of livestock and production practices have been improved. It appears reasonable to expect yields per acre to continue to increase for other crops as well as for cotton.

Farm mechanization. Mechanization is one of the chief developments that reduces labor requirements per acre and per unit of product. Mechanization, at least until recent years, has moved less rapidly in the South than in most other main agricultural regions. This may have been due partly to the relatively cheap labor in the South but more importantly to the fact that machines had not been developed to perform the peak labor operations of the South's major cash crops. Considerable progress has been made during recent years.

There were 4 times as many tractors on southern farms in 1952 as in 1940 (table 7). In 1949 the acres of cropland per tractor were about the same in the South as in the Corn Belt. In 1952 there were nearly 3 times as many grain combines as in 1945, 10 times as many cornpickers, 7 times as many pickup hay balers, and 4 times as many farms with milking machines. In 1945 there were practically no mechanical cottonpickers and only a few mechanical strippers. In 1952 there were more than 10,000 cottonpickers and more than 15,000 strippers. A large proportion of the cottonpickers are in Arizona, California, and New Mexico and most of the strippers are in Texas and Oklahoma. However, with few exceptions, complete cotton mechanization has been adopted to a lesser degree and labor requirements have been reduced less than for any major crop except tobacco (table 8). Mechanical power has been substituted for animal power, almost completely in some areas, and to a considerable extent in all areas. But except for the irrigated West, the High Plains area of Texas and to a limited degree in the Delta areas, the peak labor operations of harvesting and chopping are performed almost entirely by hand.

The mechanical picker has been proved economically feasible under certain conditions. Research studies indicate that about 100 bales must be harvested

annually for the one-row machine to be as economical as hand picking at \$2.50 to \$3.00 per hundred pounds of seed cotton. Thus, it is not well adapted to low yielding cotton and to small farms. Furthermore, the rolling terrain found in many areas decreases the efficiency of machines. The use of mechanical strippers has proven quite satisfactory in the High Plains of Texas where the climate produces a small plant and rather uniform maturity. Also the weather is usually favorable for stripping after frost has defoliated the plant. The use of artificial defoliants to hasten the date that cotton can be mechanically stripped has not so far proved satisfactory. The use of desiccants or plant killers appears to have promise in some areas. Several farmers in the Blackland of Texas area used this practice in 1952 and were well pleased with the results. Its use probably has been increased in 1953.

Considerable work is being done by the farm machinery manufacturers and by State and Federal research scientists to develop a harvesting machine for small farms. Perhaps such a machine will be developed. But it is not yet in the picture.

In humid areas such as the Deltas, where a considerable quantity of cotton is harvested mechanically, weed control continues to be a bottleneck and the full economies of mechanization will not be realized until a low labor-requiring method of weed control is developed. Much research is underway on chemical weed control and other methods. Research results indicate that with the present level of technology, mechanization will reduce materially the cost of producing cotton on large farms in the Delta. An effective and economical weed control practice which would eliminate hand labor in weed control would reduce costs still more.

Increased mechanization of the cotton enterprise, on farms where well adapted, will tend to offset higher wage rates and should improve cotton's competitive position for the use of farm resources. In areas and on farms where the mechanization of the cotton enterprise is not adapted, high farm wage rates, good off-farm opportunities and improved technology for other enterprises will tend to decrease the competitive position of cotton.

Adjustments in Cotton Production

Cotton is produced under widely varying conditions in this country. Therefore, a meaningful analysis of adjustments that farmers need to make to meet changing conditions should recognize these differences. An analysis of the trends among areas will reveal the adjustments farmers have made and will give some indication of the relative competitive position of cotton among areas.

Changes by areas. The irrigated areas of the West, the Delta areas, the High Plains area of Texas, the Lower Rio Grande Valley area and the Brown Loam areas of Louisiana, Mississippi and Tennessee have continued to increase their production (table 9). In 1948-52 these areas accounted for about 55 percent of the total cotton production in this country. Several areas such as the Piedmont, the Blacklands of Texas and the Western Sandy Coastal Plains

of Arkansas, Louisiana and Texas have decreased production from 48 to 70 percent during the last 20 years. These plus a few other areas in the same category accounted for about 15 percent of U. S. production during 1948-52. Other areas such as the eastern Coastal Plains and the Low Rolling Plains of Oklahoma and Texas have decreased their production from 15 to 30 percent. Areas in this category accounted for about 30 percent of total U. S. Production in 1948-52. All groups of areas have increased yields since 1928-32 (table 10). But the areas that have increased production also have had the greatest step up in yields. And, except for the High Plains, the areas that have increased production have yields higher than the average for the country as a whole. Mechanization has progressed more rapidly in the areas where production has been increased.

These trends, which represent the aggregate decisions of farmers in adjusting the use of farm resources to changing conditions indicate that with the price cost relationships which have prevailed, cotton's competitive position has improved materially in some areas and weakened decidedly in others. But in the last three years production has been more than sufficient to meet market outlets at prevailing prices.

Adjustment opportunities. What other adjustments could cotton farmers make in view of these changed and changing conditions? Over the long run, progress in cotton mechanization and nonfarm employment opportunities in large measure hold the key to the future of cotton's competitive position for farm resources and its place in farming systems. The rate at which these forces operate will be conditioned by general economic conditions at home and abroad. If nonfarm employment opportunities and cotton mechanization move along together, farming adjustments will move more rapidly than if one gets out of step with the other. Progress in cotton mechanization will be more rapid if nonfarm employment is readily available than if it is limited.

Cotton farmers may be divided into two broad groups with respect to their ability to adopt practices that reduce labor requirements per unit of cotton produced: (1) farmers who can take full advantage of labor-saving techniques, and (2) farmers who will find it difficult or uneconomical to adopt these techniques.

Farmers in the first group, i.e., those well adapted to labor-reducing technology, may find it profitable to continue to emphasize cotton or even to expand the cotton enterprise over a period of time. Some farmers in areas well adapted to mechanization but whose farms are too small to own key machines such as cottonpickers, may find it advisable to increase the size of their farms. In such areas custom use of key machines also may prove advantageous for operators of smaller farms. This does not mean that all of the cropland should be in cotton. Land selection, crop rotations, and other conservation practices will need consideration.

Farmers in the second group, that is, those who can not benefit by cotton mechanization, fall into several categories. Medium and large sized farms might increase emphasis on beef and dairy enterprises. Some might eliminate cotton completely from their farming systems. Others might continue to grow the acreage of cotton that the resident labor force can handle along with a livestock enterprise.

Prospects for dairying. As previously indicated, improved pasture production techniques, the expanding market for locally produced milk and meat, and lower labor requirements of livestock farming systems will improve their competitive position for farm resources. For example, tentative results of a farm management study in South Carolina indicate that, by converting a medium sized Piedmont farm (about 150 acres with 100 acres of open land) to a grade A dairy, based largely on pasture, it would be possible to increase returns to management considerably.

Investment would be about 40 percent higher and farm operating expenses would be doubled. It would take a few years to grow into the dairy business and the farmer would be operating a larger business. Apparently a well managed dairy can compete successfully for farm resources if a market for grade A milk is available. There is, of course, a limit to the number of dairy farms that can produce grade A milk for a local market. But growing urbanization in the South will continue to increase the demand for fluid milk. Furthermore, as previously mentioned per capita consumption of fluid milk products in the South is only about half as large as that for the country as a whole. This appears to offer a large market potential.

Prospects in beef production. The number of beef cows two years old and over in the South have more than doubled in the last 20 years and the quality of cattle has been improved (table 11). No doubt some farmers and ranchers increased cattle numbers more rapidly than they were prepared to provide feed for them. Many of these farmers have suffered severe financial loss because of the drought and the sharp drop in cattle prices.

Despite the critical situation at the present time the longer term outlook is relatively favorable. Some of the factors that may improve the future competitive position of beef cattle in the South are:

1. Developments in pasture improvement
2. The vast amount of unutilized land resources in the South
3. The relatively low labor requirements for beef cattle
4. The potentially strong demand for beef resulting from expanding industrialization in the South and a growing population.

Opportunities on small farms. What are the alternatives for the smaller farms in areas not well adapted to cotton mechanization? Perhaps one of the best alternatives, is nonfarm employment. Families on small cotton farms will need to consider the possibilities of part-time farming versus complete dependence on a nonfarm occupation. Some may find other intensive enterprises such as poultry, vegetable, or small fruit production for local markets a desirable adjustment.

The decrease in farm population resulting from greater urbanization will facilitate farm enlargement. The average size of farm in the South increased from 107 to 147 acres between 1940 and 1950. It should be emphasized, however, that in many parts of the cotton belt, combining of two or more small cotton farms will not result in a unit well suited to mechanization because the topography is not well suited to machines. This is not so

important with livestock enterprises. Therefore, farm enlargement would tend to improve the competitive position of livestock in relation to cotton.

Some operators of small farms probably will continue to grow, by non-mechanized methods, as much cotton as the family can handle. On these farms the use of improved production practices with emphasis on high quality cotton, and more effective use of idle land for the production of more food for home use should be emphasized.

In summary. Adjustments in the use of resources are made at the individual farm level. But it is important to evaluate the aggregate effects of individual adjustments to get some idea of the balance between production and prospective demand.

As previously indicated, in 1949 about 22 percent of U. S. cotton was grown on commercial farms having average gross farm sales of less than \$2,500. In most areas of the Mid-South and Southeast the proportion of cotton grown on low-income farms is much higher. For example, in the Piedmont area about 55 percent of the 1949 crop was produced on commercial farms having less than \$2,500 gross sales per farm (table 12).

It seems reasonable to expect that with favorable economic conditions, a considerable portion of the labor resources found on cotton-growing farms of this size will be attracted to nonfarm employment. If this materializes, cotton production may be reduced on some farms which are not adapted to mechanized methods of production.

There are two important impediments to adoption of present mechanized cotton production techniques on many farms in several cotton-growing areas. They are small-farm size and hilly terrain with small irregular shaped fields. If nonfarm employment continues to draw croppers and other small-farm operators off of farms, the way will be eased for farm enlargement. But this probably will be a slow process. Furthermore, the combination of two or more small-cotton farms with hilly terrain and irregular shaped fields would not result in a unit well adapted to cotton mechanization in many areas. Such enlargement would more likely lead to greater emphasis on livestock. During the period 1948-52 about 30 percent of the U. S. cotton production was in areas which are characterized by one or both of these impediments to mechanized cotton production.

Several of the areas where mechanization has advanced most rapidly are already highly specialized in cotton production, therefore, they may not find it feasible to increase production materially. But farmers in some other areas may adopt mechanized practices.

Under an expanding economy farm workers may enter other occupations about as rapidly as machines and other technological developments can substitute for hand labor. This might result in a balancing of forces that would tend to hold cotton production fairly stable. Under these conditions production and demand might be fairly well balanced at prices which will result in reasonable returns to farmers.

On the other hand, if off-farm employment opportunities are not available, the advantage of shifting out of cotton in the less advantaged areas would be diminished. Mechanization and other improved technology would continue to be adopted in some areas, but less rapidly. Under these conditions supplies of cotton probably would exert a strong downward pressure on cotton prices unless production control programs were in effect.

Adjustments Next Year

The discussion up to this point has dealt primarily with longer term adjustments to meet prospective changing conditions. The discussion now turns to a consideration of adjustments for next year.

Acreage allotments and a marketing quota of 10 million bales have been proclaimed for 1954 for upland cotton. This would mean a sizeable reduction in the acreage of cotton compared with the acreage planted during the last 3 years. Thus, the big question is what to do with the resources diverted from cotton. The use of land and labor diverted from cotton will depend largely on the alternatives available to the individual farmer. But the shifts to be made in 1954 should be considered in light of the adjustments that seem desirable over a period of years. If the farm is in an area where pasture and livestock have greater income possibilities than cotton a start on such a program can be made in 1954.

On small farms. Because of the variation in the available alternatives and in the longer term desirable adjustments, the use of the resources diverted from cotton and the other adjustments, which might be made next year will vary materially by size and location of farm. The following alternatives may be worth consideration by operators of small cotton farms: (1) enter into a nonfarm occupation, (2) supplement farm income with income from part-time nonfarm jobs, (3) increase feed production and add a few more hogs, (4) increase poultry, (5) produce more food for home use, (6) improve the quality of cotton, and (7) a limited number of farmers might produce small fruits or vegetables for local markets.

On large and medium farms. The operators of large and medium farms are confronted by two considerations which influence the immediate use of the resources diverted from cotton production: (1) their desire to obtain income from the diverted resources next year and (2) how the adjustments made next year will fit into longer range plans for their farming systems. Large and medium sized farms may be divided into two groups based on the probable future emphasis on cotton in the farm system: (1) farms on which the competitive position of cotton for farm resources is declining, and (2) those farms on which the competitive position of cotton is improving. Perhaps the most important difference in these two groups is their adaptability to improved technological developments in cotton and in pasture.

Farmers in the first group have two types of alternatives: (1) they might use the land diverted from cotton for the production of cash crops such as soybeans, grain sorghum, oats, corn or hay in an effort to get as much income as possible from the diverted acres next year. The crop or crops

selected would depend on the land resource and equipment available, (2) they might use all or part of the resources diverted from cotton to speed up adjustments toward their longer range systems of farming. The extent to which these farmers adopt the first or second of these alternatives will depend to a large extent on the financial circumstances of the individual farmer.

The reduction in cotton acreage, resulting from acreage allotments, may be greater on many farms than might have been made in one year in the longer term plans. However, the adjustment is in the same direction. Therefore, it would appear feasible for such farmers to make capital commitments next year to facilitate desirable longer term adjustments. For example, if the farm is located near a good grade A milk market the farmer might use part or all of the acreage diverted from cotton to develop pastures. He might buy a few heifers and start growing into the dairy business. Likewise a farmer who plans to increase emphasis on beef cattle might also develop pastures and start a beef herd or increase his present herd as more feed is provided. Although cattle prices are now low the longer term outlook is favorable. The prices of brood cows and feeders in September 1953 were only about half as high as in September 1951. Therefore, now appears to be a good time to start in the beef cattle business if adequate pasture and feed can be provided economically and if beef cattle fit well into the farming system.

Operators of farms on which cotton mechanization does not appear feasible but on which labor saving techniques can be used in the production of soybeans, oats, hay or seeds might be justified in purchasing equipment to increase the efficiency of these enterprises.

One of the major considerations of farmers whose longer term plans call for continued or increased emphasis on cotton, will be to keep the land in shape for cotton in future years. Therefore, they might not be justified in making longer term capital commitments in order to use the acreage diverted from cotton.

Many farms in the irrigated areas of the West fall in this category. Some farmers in these areas, who have a relatively short supply of irrigation water, might fallow some of the land diverted from cotton; others might increase the acreage of barley. In recent years alfalfa has ranked next to cotton in terms of net income per acre. Farmers who have old alfalfa that might have been turned under next year should consider the feasibility of leaving it for hay or pasture for another year or so. Farmers, who have an adequate supply of irrigation water, may find it profitable to increase the seedings of new alfalfa. On some farms grain sorghum may be the best use of the acres diverted from cotton.

Farmers in the South, whose longer term plans call for continued or increased emphasis on cotton, might grow soil improving crops on some of the land diverted from cotton. The desire for income next year will determine the extent to which this is feasible. Therefore, many farmers will consider it advisable to produce cash crops such as soybeans, oats, grain sorghum, corn and hay. The crop chosen will depend largely on the type of land diverted and the equipment available. All farmers who grow cotton in 1954 will find it more important than ever to reduce costs and increase efficiency in every way feasible.

Table 1.- Cotton, wool, rayon and acetate, other synthetics, other fibers, mill consumption, United States, 1920-52, 5-year averages

Period	All fibers	Cotton 1/	Wool 2/	Rayon and acetate 3/	Other synthetics 4/	Other fibers
<u>Total consumption</u>						
<u>Million pounds</u>						
1920-24	3,275.6	2,818.8	365.7	25.6	---	65.5
25-29	3,836.3	3,298.3	349.6	90.5	---	97.9
30-34	3,213.8	2,689.1	270.2	169.4	---	85.1
35-39	4,071.0	3,284.1	377.1	334.9	---	74.9
40-44	6,217.9	4,969.4	583.7	611.1	25.4	28.3
45-49	6,146.8	4,458.6	654.8	955.3	64.2	13.9
48-52	6,385.8	4,463.6	555.1	1,196.6	154.0	16.5
<u>Proportion specified fiber consumption is of total fiber consumption</u>						
<u>Percent</u>						
1920-24	100.0	86.1	11.1	.8	---	2.0
25-29	100.0	86.0	9.1	2.3	---	2.6
30-34	100.0	83.7	8.4	5.2	---	2.7
35-39	100.0	80.6	9.3	8.2	---	1.9
40-44	100.0	79.9	9.4	9.8	.4	.5
45-49	100.0	72.5	10.6	15.6	1.1	.2
48-52	100.0	69.9	8.7	18.7	2.4	.3
<u>Per capita consumption 5/</u>						
<u>Pounds</u>						
1920-24	29.31	25.23	3.27	.23	---	.58
25-29	31.80	27.34	2.90	.75	---	.81
30-34	25.40	21.25	2.13	1.34	---	.68
35-39	31.12	25.11	2.88	2.56	---	.57
40-44	45.37	36.27	4.26	4.45	.18	.21
45-49	42.08	30.54	4.49	6.52	.43	.10
48-52	41.49	29.00	3.61	7.77	1.00	.11

1/ Mill consumption as reported by the Bureau of the Census. For American cotton-tare, 22 pounds was deducted from the gross weight of bale produced through 1923; since 1924 the tare as reported by the Crop Reporting Board has been deducted; for foreign cotton 3 percent (15 pounds) was deducted.

2/ Includes apparel and carpet wool on a scoured basis. Data through 1917 were based on production plus net imports. Since 1918 data were from Wool Consumption reports of the Bureau of the Census. Per capita consumption of apparel and carpet wool computed separately and then totaled.

3/ Textile Organon, publication of the Textile Economics Bureau Incorporated. Include filament and staple fibers. Data are U. S. producers' domestic shipments, plus imports for consumption.

4/ Textile Organon. Nylon, orlon, glass fiber, etc. U. S. producers' domestic shipments plus imports for consumption.

5/ Based on population of continental U. S. as of July 1, including armed forces overseas. Adjusted for under-enumeration of children under 5 years of age.

Table 2.- Employees in non-agricultural establishments by Southern States

States	1940	1945	1950	1952	Percentage increase 1940-52
	<u>Thousands</u>				<u>Percent</u>
Appalachian	2,087.0	2,594.0	2,994.6	3,277.1	57.0
Kentucky	395.7	458.9	547.8	604.5	52.8
North Carolina	642.7	746.9	911.4	987.3	53.6
Tennessee	481.6	667.4	739.8	806.7	67.5
Virginia	567.0	720.8	795.6	878.6	55.0
Southeast	1,697.0	2,215.8	2,538.8	2,861.4	68.6
Alabama	419.4	569.5	607.9	671.5	60.1
Georgia	538.4	707.0	786.6	873.5	62.2
Florida	419.0	553.7	693.1	792.4	89.1
South Carolina	320.2	385.6	451.2	524.0	63.6
Delta	827.7	1,056.1	1,211.5	1,305.3	57.7
Arkansas	199.3	270.5	295.1	314.1	57.6
Louisiana	417.3	519.9	621.3	673.1	61.3
Mississippi	211.1	265.7	295.1	318.1	50.7
Southwest	1,449.9	1,992.1	2,387.7	2,735.3	88.7
Oklahoma	329.4	420.7	473.3	520.1	57.9
Texas	1,120.5	1,571.4	1,914.4	2,215.2	97.7
Total South	6,061.6	7,858.0	9,132.6	10,179.1	67.9

Source: Bureau of Labor Statistics, U. S. Department of Labor.

Table 3.- Total and farm population, 1930, 1940, 1950 and 1952

Region	1930		1940		1950		1952	
	Total	Farm	Total	Farm	Total	Farm	Total	Farm
	Millions							
Appalachian 1/	10.8	4.9	12.0	5.2	13.6	4.4	13.9	4.3
Southeast	8.8	4.0	9.8	3.9	11.4	3.1	11.8	3.0
Delta	6.0	3.3	6.5	3.4	6.8	2.6	6.9	2.5
Southwest	8.2	3.4	8.8	3.1	9.9	2.0	10.5	1.9
South	33.8	15.6	37.0	15.6	41.7	12.1	43.0	11.8
U. S. other than South	89.0	14.9	94.7	15.0	109.0	13.0	112.8	13.0
	Percentage change in population							
	1930 to 1940		1930 to 1952		1940 to 1952			
	Total	Farm	Total	Farm	Total	Farm	Total	Farm
	Percent							
Appalachian 1/	+ 11	+ 5	+ 28	- 12	+ 15	- 16		
Southeast	+ 11	- 1	+ 35	- 23	+ 21	- 23		
Delta	+ 9	+ 2	+ 15	- 24	+ 6	- 25		
Southwest	+ 6	- 8	+ 27	- 43	+ 19	- 38		
South	+ 10	- 0.07	+ 27	- 24	+ 16	- 24		
U. S. other than South	+ 6	+ 0.80	+ 27	- 13	+ 19	- 13		
	Farm population as a percentage of total population							
	1930		1940		1950		1952	
	Percent							
Appalachian 1/	46		43		32		31	
Southeast	45		40		27		26	
Delta	56		52		38		37	
Southwest	41		35		20		18	
South	46		42		29		28	
U. S. other than South	17		16		12		12	

1/ Appalachian includes Kentucky, North Carolina, Tennessee and Virginia. Southeast includes Alabama, Georgia, Florida and South Carolina. Delta includes Arkansas, Louisiana and Mississippi. Southwest includes Oklahoma and Texas.

Table 4.- Farm employment, United States and major regions, annual averages, 1940, 1945, 1950 and 1952

Area	Number				Percent change		
	1940	1945	1950	1952	1940 to 1952	1940 to 1945	1945 to 1952
	<u>Thousands</u>				<u>Percent</u>		
United States							
All farm workers	11,671	10,813	10,351	9,758	-16.4	- 7.4	- 9.8
Hired farm workers	2,805	2,265	2,308	2,163	-22.9	-19.2	- 4.5
Northeast							
All farm workers	903	864	836	818	- 9.4	- 4.3	- 5.3
Hired farm workers	232	207	222	214	- 7.8	-10.8	/ 3.4
North Central							
All farm workers	3,610	3,400	3,260	3,094	-14.3	- 5.8	- 9.0
Hired farm workers	672	488	496	447	-33.5	-27.4	- 8.4
South ^{1/}							
All farm workers	6,217	5,590	5,326	4,951	-20.4	-10.1	-11.4
Hired farm workers	1,543	1,201	1,219	1,142	-26.0	-22.2	- 4.9
West							
All farm workers	941	959	929	895	- 4.9	/ 1.9	- 6.7
Hired farm workers	358	369	371	360	/ .6	/ 3.1	- 2.4

^{1/} Includes 13 Southern States and Delaware, Maryland and West Virginia.

Table 5.- Farm wage rates, United States and major geographic divisions, 1930, 1940, 1945 and 1952

Geographic division	Composite cash farm wage rate in cents per hour				Percent increase 1940 to 1952
	1930	1940	1945	1952	
	Cents	Cents	Cents	Cents	Percent
United States	22.7	17.1	47.6	66.1	286.6
New England	34.8	26.5	58.9	80.2	202.6
Middle Atlantic	29.2	22.3	43.4	73.4	229.2
East North Central	22.7	19.3	46.9	72.6	276.2
West North Central	22.6	18.1	53.5	77.7	329.3
South Atlantic	15.8	12.6	30.1	50.9	304.0
East South Central	15.2	11.8	30.6	45.7	287.3
West South Central	17.4	13.4	42.4	60.8	353.7
Mountain	24.4	20.2	48.4	78.1	286.6
Pacific	38.2	31.8	89.0	102.9	223.6

Table 6.- Trend in South-non-South differential in average farm wage rates, 1930-52

Year	Composite cash farm wage rate in cents per hour		Percent farm wage rates in South are of those in non-South
	South ^{1/}	Non-South ^{1/}	
	Cents	Cents	Percent
1930	16.1	26.0	61.9
1940	12.6	20.8	60.6
1945	34.4	53.8	63.9
1952	51.9	78.5	66.1

^{1/} The South includes the South Atlantic, East South Central, and West South Central geographic divisions. The non-South includes all other geographic divisions.

Table 7.- Trends in numbers of specified machines on farms in 13 Southern States

Item	1930	1940	1945	1950	1952	Percentage 1952 is of 1945
			<u>Thousands</u>			<u>Percent</u>
Tractors	134	255	468	872	1,072	229
Motor trucks	216	282	430	771	852	200
Grain combines			61	134	169	277
Cornpickers			3	20	31	1,033
Pickup balers			11	49	72	655
Milking machines			15	55	69	460

Acres of cropland per tractor by geographic divisions

Geographic division	Year			
	1929	1939	1944	1949
			<u>Acres</u>	
New England	285	134	78	54
Middle Atlantic	207	123	78	54
East North Central	254	140	101	72
West North Central	472	270	197	149
South Atlantic	719	530	245	111
East South Central	1,240	724	326	129
West South Central	875	367	205	132
Mountain	639	385	253	179
Pacific	301	210	144	94
United States	449	254	167	113

Table 8.- Man-hours per unit of production for designated crops, United States, indicated periods, 1910-48 1/

[illegible]

1/- Man-hours per acre harvested and include preharvest work on abandoned acreage. Units of production are: 100 bushels for corn, oats, wheat, rice and soybeans, 100 pounds for tobacco and 1 bale for cotton.

Table 9.- Trends in cotton production, by periods and by selected areas

Cotton production areas	Percentage of 1928-32 production				Percentage of U. S.
	1933-	1938-	1943-	1948-	total
	1937	1942	1947	1952	1948-52
	Percent				Percent
Lower Rio Grande Valley	108	129	233	605	3
Western Irrigated	151	171	172	509	17
High Plains	115	124	128	227	6
Delta	102	119	111	138	22
Brown Loam	100	107	100	114	5
Limestone Valley and Uplands	87	80	93	84	3
Clay Hills	96	75	87	85	3
Eastern Coastal Plains	100	75	67	78	10
Rolling Plains	68	64	46	62	6
Blacklands (Texas)	72	54	47	52	6
Piedmont	81	71	63	46	4
Western Sandy Coastal Plains	72	58	29	30	2
Arkansas River Valley & Uplands	68	82	41	27	1
U. S.	88	82	72	97	

Table 10.- Trends in per acre yields of cotton by periods and by selected areas

Cotton production areas	Percentage of 1928-32 yields				Percentage 1948-52 yield is of U. S. yield
	1933-	1938-	1943-	1948-	
	1937	1942	1947	1952	
	Percent				Percent
Lower Rio Grande Valley	126	140	197	215	119
Western Irrigated	132	141	143	170	223
High Plains	113	145	146	156	73
Delta	126	173	164	163	132
Brown Loam	126	162	170	184	124
Limestone Valley and Uplands	117	135	165	135	99
Clay Hills	124	122	101	160	99
Eastern Coastal Plains	128	121	153	149	102
Rolling Plains	90	126	106	116	56
Blacklands (Texas)	97	105	99	104	56
Piedmont	110	127	141	126	97
Western Sandy Coastal Plain	102	119	116	128	63
Arkansas River Valley & Uplands	92	156	122	118	60
U. S. Average	113	139	151	163	

Table 11.- Trends in the numbers of livestock, 13 Southern States

Year	All cattle and calves	Milk cows 2 years old and over	Other cows, 2 years old and over
	Million head		
1930-34	19.1	6.1	4.0
	Percentage of 1930-34		
1935-39	104	106	102
40-44	118	112	127
45-49	126	110	166
50-53	136	103	198
Percentage livestock numbers in South are of U. S. total			
1930-34	29	25	38
35-39	30	26	39
40-44	29	26	40
45-49	30	26	41
50-53	30	27	41

table 12.- Proportion of cotton production by economic class of farm, specified area, 1949 ^{1/}

Cotton production area	Commercial					Other
	Classes	IV	V	VI	Total	
	I, II, III:					
	Percent					
Eastern Coastal Plains	23.9	27.0	27.2	14.8	92.9	7.1
Piedmont	13.1	16.5	33.7	22.2	85.5	14.5
Limestone Valley	25.4	22.4	28.9	14.4	91.1	8.9
Sand Mountain	4.7	17.7	42.2	25.4	90.0	10.0
Black Belt-Alabama and Miss.	16.5	11.3	26.9	32.3	87.0	13.0
Clay Hills	8.1	18.0	35.6	25.8	87.5	12.5
Brown Loam	26.5	20.5	30.0	17.7	94.7	5.3
Delta	46.8	18.9	23.9	7.9	97.5	2.5
Ark. River Valley and Uplands	29.1	23.6	23.8	14.3	90.8	9.2
Western Sandy Coastal Plain	29.4	23.3	25.8	13.5	92.0	8.0
Lower Rio Grande Valley	92.5	4.7	2.0	.3	99.5	.5
Coastal Prairie of Texas	55.1	24.3	14.2	3.3	96.9	3.1
Black Prairie of Texas	63.8	24.4	9.0	1.8	99.0	1.0
Rolling Plains	86.1	10.9	2.4	.3	99.7	.3
High Plains	97.5	1.9	.4	.1	99.9	.1
Western irrigated	96.7	2.0	.7	.1	99.5	.5
United States	60.1	14.5	14.8	7.1	96.5	3.5

Source: U. S. Census of Agriculture 1950.

1/ Definitions of Economic Classes and Groups of Classes:

Commercial farms are all farms having sales of \$1,200 or more, and in addition those farms having sales of \$250 to \$1,199 provided: (a) that the operator worked off farm less than 100 days and (b) that income from farming exceeds family income from all other sources.

Other farms are those farms with farm sales of less than \$250 (residential farms) and in addition those farms having sales of between \$250 and \$1,199 and whose operator worked off farm 100 days or more or for which family income from nonfarm sources exceeds income from farming (part-time farms).

Class Intervals: Class I-Sales of \$25,000 or more; Class II-Sales of \$10,000 to \$24,999; Class III-Sales of \$5,000 to \$9,999; Class IV-Sales of \$2,500 to \$4,999; Class V-Sales of \$1,200 to \$2,499; Class VI-Sales of \$250 to \$1,199 with operator working off farm less than 100 days and family income from farming exceeding income from other sources.

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UNITED STATES DEPARTMENT OF AGRICULTURE
Bureau of Agricultural Economics

ADJUSTMENTS FARM FAMILIES ARE MAKING TO THE COST PRICE SQUEEZE.

Statement presented by C. B. Ratchford; In Charge,
Extension Farm Management and Marketing, N. C. State
College, Raleigh, N. C., at the 31st Annual Agri-
cultural Outlook Conference, Washington, D. C.,
October 27, 1953

The cost-price squeeze is a very real thing to North Carolina farm families. Droughts in 1952 and 1953 along with lower product prices and higher costs have reduced net farm incomes substantially. The income situation in 1953 was further aggravated by modest reductions in allotments of tobacco and peanuts, two of our main sources of farm income.

I believe that every farm family in North Carolina who reads, listens to the radio, goes to farm meetings, goes to a country church, or participates in the philosophic discussions at our numerous country stores heard that the cost-price squeeze was expected to continue in 1953. Furthermore, practically all farmers believed that product prices would be lower and costs higher this year.

There are a few farmers in North Carolina who did not need to adjust in view of the expected situation. There were a few others who decided not to make any adjustment. The vast majority, however, did make some adjustment to meet the expected situation.

The farm families of North Carolina reacted to the intensified cost-price squeeze of 1953 in much the same way they have to previous cost-price squeezes. All families did not adopt the same course of action. Indeed the adjustments by different families were often diametrically opposed. Yet when situations facing each family is understood it seems that the adjustments made by most families were quite logical.

I have classified the adjustments into five categories. The five are:

- (1) Increasing output.
- (2) Reducing expenditures for capital goods.
- (3) Reducing operating costs.
- (4) Reducing family living expenditures.
- (5) Securing non-farm employment.

Let us now take a closer look at each of these items.

Increasing output

A majority of the farmers made an effort to increase their output in order to maintain the family's net income. Many farmers made changes in production practices on tobacco and peanuts which they believed would result in the same number of pounds as they made the preceding year when allotments of their crops were larger. To a lesser extent, efforts were made to increase the yield of unallotted crops. Farmers tried to increase yield by using more fertilizer, more insecticides, better seed, closer spacing, and better cultural practices.

Efforts to increase output were not limited to increasing yields. Many farmers increased the size of one or more enterprises by using land taken out of tobacco and peanuts, bringing in idle land, and by renting additional land. Those farmers, who increased total acres operated, usually expanded the acreage of one or more crops which they had been producing. Crops which farmers tended to expand were corn, soybeans, oats, wheat, sorghum, sweet potatoes and annual hay crops.

Some farmers believed double cropping was the way to expand output. Hence, there was an increase in the practice of following small grain with milo or soybeans and tobacco and peanuts with small grain.

Dairymen and poultrymen followed about the same pattern as crops farmers. They tried to increase output through expanding numbers and through increasing the output per unit. Most beef and hog producers did not try to increase the output from these enterprises. The expectation of low prices for hogs and beef and a shortage of feed are the reasons most commonly advanced for not expanding these enterprises. Beef cattle and hogs are almost always supplemental enterprises in North Carolina; and the producers of these commodities looked elsewhere to expand output.

Another way to increase output is to add additional enterprises. Few farmers chose this alternative. Where new enterprises were added, they tended to be closely related to enterprises already used. Examples of the type of additions made were adding milo and soybeans on small grain farms. Farmers had a very good reason for not adding new enterprises. Most new enterprises required an outlay of capital, and this is one step many farmers were unwilling to take. (A group of farmers who did not feel this way will be discussed later.)

The fact that farmers tried to increase output in the face of falling prices was not unexpected. They have followed this course before. Also, it is a logical course of action when viewed from the standpoint of the individual farmer, although it does seem inconsistent when viewed in the aggregate. The action is consistent with economic principles for maximizing income on an individual producing unit operating in a competitive situation, if we assume that expected prices will more than cover operating (or variable) costs and that farms were operating with less than the optimum input of productive factors before the cost-price squeeze became effective. The last point should be emphasized. The fact that

farmers did believe it to be profitable to increase the input of productive factors in face of the cost-price squeeze is prima facie evidence that farmers were previously operating below optimum levels of factor input. If farmers had been operating at the optimum point, it would have been in their interest to reduce the input of factors when a cost-price squeeze is operating.

As a final comment, the course of trying to increase output did not result in higher net incomes in 1953 for most farmers. The reason it did not work, however, was that one of the most severe droughts in our history occurred during the summer of 1953.

Reducing expenditures for capital goods

Many farmers decided to beat the cost-price squeeze by reducing capital outlays. They decided not to trade in the old tractor or buy a second one. They decided not to put up a new barn, granary, or tenant house. Expenditures for drainage, terracing, land clearing, and pasture development were curtailed sharply on many farms. Investments in expensive breeding stock were reduced sharply.

It is not intended to imply that there were no expenditures for capital goods. Some farmers had to buy equipment and invest in buildings. The farmers who did make capital improvements were cost conscious, however. They spent just as little as they could and still get by. This is a ~~quite different situation from that existing two or three years ago~~ when our farmers wanted and got the best - to heck with the cost.

There were some farmers, however, who thought it would be to their advantage actually to increase expenditures for capital goods. A large part of North Carolina and other Southern States have continued to use large quantities of labor. In North Carolina less than half of the farms have tractors and there are very few completely mechanized farms. They have been logical in following farming systems and practices which use a lot of labor. Proof of this statement has been the inability, until quite recently, for either the Experiment Station or farmers to develop alternatives which use substantially less labor and still maintain income.

Labor costs have risen in North Carolina, as in the rest of the nation, much faster than the cost of other productive factors. The expectation that labor costs would continue to rise sharply caused some farmers to mechanize, as one means of beating the cost-price squeeze. This move required a lot of money. Other farmers decided to discontinue producing or to reduce the acres of crops requiring a lot of labor such as cotton and tobacco and to begin producing livestock. This course of action required a large capital outlay.

Thus even in the same community there were farmers following divergent courses of action with regard to capital outlays. The group reducing capital expenditures gave the following reasons for doing so: (1) As there was insufficient income to maintain the standard of living and expand the investment, in farm business, they decided to forego expanding the business. (2) They believed that capital goods would cost much less in the future and hence it was poor business to buy now, particularly if the standard of living had to be reduced to make the investment. (3) They could not afford to invest in capital goods. In some cases this statement was true. In the majority of cases, however, an investment **could have been made**, particularly by resorting to borrowing. The farmers simply gave this reason as an excuse for either not wanting to squeeze the standard of living or because they were fearful of the future.

The group which made large capital outlays during the year almost invariably gave high labor costs as the reason.

Reducing operating costs

One of the obvious courses of action when faced with a cost-price squeeze is to reduce operating costs. While the farmers tried to follow this course of action, they were remarkably unsuccessful in their efforts. As previously indicated, most farmers wanted to increase output, and particularly through increasing yields. This goal called for increased expenditures for fertilizer, seed, and insecticides. If yields had actually been as high as planned, the cost per unit would have been lower; but total cost for the farm would still have been higher.

On some farms it was possible to reduce labor costs through mechanization, changing enterprise combinations and by using work simplification techniques. On most farms, where labor is performed by the operator's family or tenants, labor is in the nature of a fixed cost in the short run and increases in labor efficiency do not necessarily reduce cash operating costs.

It was possible in some cases to reduce the cost of repairs to machinery. On livestock farms it was possible in many cases to reduce feed costs by producing feed on the farm, substituting cheap feeds such as pasture and silage for grain, and by abolishing wasteful feeding practices.

Our staff saw many farm plans for 1953 and it was indeed rare to find a farmer who believed that he could profitably reduce cash operating costs. Also when the effect of College recommendations for 1953 to individual farms was determined, total cash operating costs were almost always increased, except in those cases where farming systems and practices were radically changed. Bankers in the State tell us that cash operating costs were not reduced in 1953 and farm records bear this out.

Of course there were a few farmers who reduced cash operating expenses by decreasing the amount of fertilizer used and by using home produced seed. Generally speaking, this did not appear to be a wise course of action to follow last spring. With an unforeseen drought coming along, it turned out to be a fairly good course of action. It should be pointed out, however, that most of the farmers who did reduce expenditures for fertilizer, seed, and similar items did so, not because they wanted to, but because they had no alternative. Farmers who started the year in a poor cash position had trouble borrowing enough money to buy the quantity of productive factors they wanted to use. Capital rationing is a very real problem to many of our farmers, although they do not use the ivory tower phraseology.

Reducing family living costs

It is no secret that net farm income for the average Southern farmer is low. It is also axiomatic that when income is already low, a decrease hurts worse than when income is higher. As many North Carolina farm families tend to use all of their net income for family living (i.e. they save practically nothing) a decrease in net income is felt immediately in a lower standard of living. This condition may account for the almost desperate efforts of farm families to maintain income through increasing output.

Many farm families tried to keep lower net farm incomes from reducing the standard of living by producing more food at home and by making more of the families clothing. Undoubtedly many farm families reduced expenditures for insurance which provides security in the future, and contributed less to charity in an effort to maintain their own current living standards.

In spite of all efforts, many families are realizing substantially lower net incomes. Where this has occurred, some families are reducing purchases of durable goods such as new appliances, new automobiles and new furniture. Plans for remodeling and building new homes are being discarded. Other families want the durable goods so badly that they have decided to reduce expenditures for clothing, recreation, and the so-called non essentials such as cigarettes.

For the few families who have been making larger incomes than needed for current living expenses, the only adjustment in family living is a reduction in savings.

We hear that some families have not adjusted family living costs in spite of lower incomes. In a few cases the standard of living is being maintained out of savings. In many more cases, however, the standard of living is being maintained by going into debt. This course must have an end, however.

Securing non-farm employment

A large number of families saw non-farm employment as the solution to their income problem. In many, many cases the operator or a member of the operator's family worked all or part of the year in non-farm employment. The study of Dr. Bishop, of our Experiment Station, and the farm records that we see, indicate that this is a very good way for many families to increase the income available for additional investment in the farm and for improving the standard of living. Most families on small farms that have farm and non-farm income have higher total incomes than either the families securing all of their income from industry or from farming alone.

It is believed that a larger number of people did not choose this alternative because non-farm work was not available in their community. Opportunities for non-farm work are limited in those areas where little or no industrial development has occurred.

Adjustments that will be made next year, assuming the cost-price squeeze continues.

It is my opinion that the same types of adjustments that were made in 1953 will be continued although the proposition of farmers making each adjustment will be different. Many farmers will try to increase output, although an increasing number of farmers will find themselves in the position of not having and not being able to get the operating capital that will be required to increase output. A larger number of farmers will reduce expenditures for capital goods. Farmers would like to reduce operating costs but in most cases will not find it profitable. Standards of living will be lowered. If non-farm employment can be secured, an increasing number of farm families will turn to this alternative.

Adjustments which should be made by the individual farm family

It is necessary when giving opinions as to what should be done to clearly indicate whether you are thinking in terms of society or of the individual farm family. There is frequently a conflict between what is best for the individual and for society, particularly in the short run. For example, from the standpoint of society, it appears foolish to increase output with prices falling. Yet from the individual farmer's point of view it is often the thing to do. I want to emphasize that in my concluding remarks I am thinking in terms of the individual farm family.

I am classifying the adjustments which should be made into three categories. The first category includes all those adjustments which require neither additional operating funds or a larger investment. Examples include using an improved hybrid, fall freshening of milk cows, applying work simplification techniques, substituting silage for grain and changing the spacing on crops. New technology coming out of our Experiment Stations often falls in this category. Some of the adjustments

which fall in this category reduce costs; but in our State the majority will increase output. The individual farmer stands to gain by making all of those adjustments which apply to his farm and which do not increase cash costs. Many of the adjustments we are discussing can be made with an additional input of management, which on most farms is a fixed cost.

The second category includes those adjustments which increase cash operating costs. Examples are using more fertilizer, increasing the size of the business by renting more land, feeding at a higher rate, and changing from sharecropper labor to wage hands. Practically all of these adjustments will result in an increased output. If we assume that weather conditions will be normal, it is my opinion that adjustments of this type will result in an increased income. With the Government supporting many prices at a level which protects a farmer with average efficiency from loss and with a short time lag between expenditure and return, the risk of such adjustments not paying off is low for farmers with a reasonable amount of managerial ability.

The third category includes those adjustments which requires a larger investment in the farm business. Examples include mechanization, adding livestock, seeding permanent pastures, fencing, drainage, terracing, land clearing, and purchasing additional land. For the average farmer the decision as to whether such adjustments depends upon the appraisal of future economic conditions. If somewhere near present price relations continue, such adjustments will be profitable on many farms. If another depression is in the offing, they will not be profitable. While I do not expect price relationships to remain as favorable to farmers as they were last year, it is my opinion that conditions will be such the many long run or intermediate investments will be profitable. Those investments which tend to reduce costs have a greater chance of being profitable than other types. Many farmers will undoubtedly find it profitable to add machines and reduce labor costs. Other farmers will find it profitable to add livestock in order to give year round employment to labor and to utilize crops which cannot be marketed to advantage. Although land prices are high and will likely fall, some small farmers will find it desirable to enlarge their farms, if they can buy land conveniently located to their present farm. The economics of scale will more than offset a reasonable drop in farm prices.

After indicating that many adjustments which require capital will be profitable, I will add that I do not believe many farmers will make these adjustments in 1954. The investments will not be made because farmers are applying a much higher rate of discount on future returns from investments than is warranted. The high rate of discount is due to farmers having limited information on the factors which cause prices to change. Also they do not know how to use the economic data secured to make an intelligent appraisal of future prices.

This indicates to me the role that Outlook information can play. It also tells me something about what our objectives should be and the type of information that should be included in Outlook.



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UNITED STATES DEPARTMENT OF AGRICULTURE
Bureau of Agricultural Economics
Washington, D. C.

THE AGRICULTURAL OUTLOOK

Address by Bushrod W. Allin, Chairman, Outlook and Situation Board,
Bureau of Agricultural Economics, at the 31st Annual Agricultural
Outlook Conference, Monday, October 26, 1953.

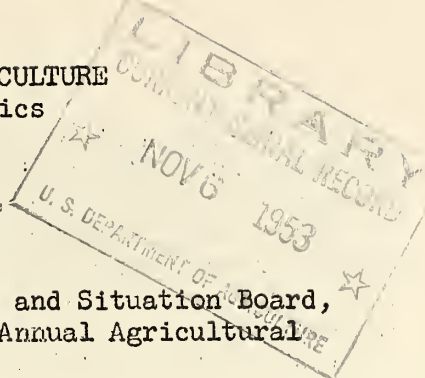
The opening paragraphs of the Outlook Issue of the Demand and Price Situation which was released this morning summarize the agricultural outlook as follows:

"No marked change in the domestic demand for food and other agricultural products appears likely in 1954 as compared with the current year. Also, foreign takings of United States farm products, while sharply reduced in the 1952-53 season from other recent years, appear to be at a level sustainable over the next year or so. Supplies of most farm products are expected to continue large in 1954. Carryover stocks may increase further by the end of the current crop year, but a large part will be held by the Government. Acreage restrictions are likely to bring smaller wheat and cotton crops in 1954 and price support programs will continue to cushion the impact of large supplies on farm prices. With prospective conditions of demand and supply for farm products in 1954 approximately the same as in 1953, the average of prices received by farmers may hold near current levels. With cost rates to farmers stabilizing, the cost-price squeeze in agriculture is not likely to be intensified significantly in 1954.

Cash receipts from farm marketings in 1954 are not likely to equal the 31.2 billions received this year, partly because of the prospective reduction in the wheat and cotton crops. Production costs, which were slightly reduced in 1953, may show some further decline in 1954 as farmers adjust operations to lower output of some commodities and try to ease the burden of high costs. As a result, farm operators' realized net income may be fairly close to the 1953 level of 12.5 billion dollars."

This is the probable outlook as seen in the Bureau of Agricultural Economics. Yet it is worthwhile to indicate some developments that could cause significant changes in 1954. Two basic assumptions have been made: (1) that average weather will prevail and (2) that the international situation will remain much as is.

What happens to prices and incomes in 1954 depends to a large extent on how crops and pastures turn out. Drought conditions now prevail in the Central Mississippi Valley, the Southwest, and the Central Appalachian area. Pasture feed conditions on October 1, for the United States as a whole, were as poor for that date as in any year in the past 4 decades, except in 1934 and 1936. Still, most farmers got good crops this year with drought coming late and hitting pastures hardest. And next year's crops and pasture yields chiefly depend on next year's weather.



We should also keep in the back of our minds, the closing phrase in the short movie on the outlook which says, "We should always remember that we still live in a no-peace-no-war kind of a world." The possibilities of increased defense pressures, while checked today, might well come to the fore at some future date. It seems likely that the current supplies of farm products as well as our recent farm price experience from 1950 to date might cause farm prices and incomes to react less or certainly at a slower rate to renewed inflationary pressures than at the outbreak of the Korean conflict.

I would like to elaborate on a few points.

First, with the supply picture showing signs of stabilizing and with the domestic and foreign demand for United States farm products expected to continue at about 1953 levels, prices received by farmers next year may hold fairly close to current levels. In fact, over-all they have been reasonably stable since early this year.

Agricultural supplies will continue large in 1954, but production is likely to be less than this year and the rapid rise in stocks may well level off in the 1954 crop season. In some instances stocks may be reduced by the beginning of the 1955 crop year. The pressures of supply on price are not likely to be much different in 1954 than in 1953.

Total agricultural production in 1952 was record high, 6 percent above 1950 and 44 percent above the 1935-39 average. Total output in 1953, based on October 1 indications, will come very close to equaling the 1952 record. Despite strong domestic demand, high production and reduced exports have brought a rapid accumulation of stocks of most important farm products. Carryover stocks of cotton and wheat at the beginning of the current season were doubled or more than doubled from those of a year earlier. Large increases have also occurred in stocks of corn and of fats and oils. Except for the latter, further increases in carryover stocks are likely at the end of the 1953-54 season. But acreage restrictions in wheat, on cotton (if growers approve marketing quotas) and possibly on corn will likely bring reductions in output in 1954, and total supplies of these commodities in the 1954 crop year may level off or show some reduction. For livestock and livestock products generally, little change in production is indicated for 1954.

In connection with the supply picture, it is important to note that very substantial parts of the carryover stocks are currently held by the Commodity Credit Corporation and that CCC holdings will be increased during the current crop year and will likely comprise a larger proportion of total supplies available in the 1954 crop season. Total CCC investment in farm commodities totaled 3.7 billion dollars on August 31, 1953 and during the current crop season is expected to exceed the postwar high of about 4 billions reached in February 1950. However, we should also note the CCC is authorized to use as much as 6-3/4 billion dollars for support purposes if necessary.

Price support programs for basic commodities--wheat, corn, cotton, peanuts, some types of tobacco and rice--will continue at 90 percent of parity for the 1954 crops, unless marketing quotas for individual crops are disapproved. They have already been approved for wheat and a vote is pending for cotton. The support levels for oats, barley, rye and grain sorghums will be continued at 85 percent of parity. The price support for flaxseed will be at 70 percent of parity compared with 80 percent of parity for the 1953 crop. Support levels for several other commodities have not yet been announced.

Second, I would like to draw your attention to two important ratios--the parity ratio of prices received by farmers to prices paid by farmers including interest, taxes and wage rates which reflects the cost-price relationship in agriculture, and also to the one which measures the farmer's share of the consumer's food dollar.

Prices received by farmers, according to the latest figures, average 11 percent below a year ago. On the other hand, the average of prices paid by farmers is only 3 percent lower than a year earlier, and practically all of this decline was due to lower prices for feeder livestock and for feeds. Prices of industrial commodities purchased by farmers have held steady, close to their highs. The parity ratio in mid-September was 92 compared with 101 a year earlier. It was 94 last January, so that this ratio also has been fairly stable so far in 1953. And the prospects are for this situation to continue about as is in 1954, although there may be some fluctuations from time to time--for example, the ratio could drop a point or so as a result of the heavy seasonal marketings of crops and livestock now under way. The farmer will not have to contend with a much further worsening of the cost-price squeeze. In fact, price concessions on some items purchased by farmers, which do not show up in price indexes, are likely to be more general next year than this.

Although consumer expenditures for food have continued to rise over the past year reflecting expanding incomes, the continued increase in food marketing charges as well as declining farm prices have lowered the proportion of the consumer's food dollar received by the farmer to the lowest level in the postwar period. It is now about 45 percent compared with 47 percent a year earlier. But charges for transportation, labor and other costs involved in getting food products from the farmer to the consumer appear to be leveling off. With consumer expenditures for food likely to be about as large in 1954 as in 1953, there is little indication that this squeeze on the farmer's return for food products will worsen much.

Third, it would be well to recognize that despite prospects for stability in the year ahead, net realized farm income dollarwise is back close to the 1950 level, with the purchasing power of net realized farm income this year about the same as in 1941. In contrast, the average spendable income per person in the United States is currently at a record high, 15 percent larger than in 1950, and its purchasing power about a fifth greater than in 1941.

Despite the drops in income that have occurred in the last two years, the farm financial picture is still fairly good over-all. While debts have been rising, the ratio of assets to debts is still very high compared

with prewar years. Farmers as a group have enough financial assets to pay off all their liabilities, including real estate debt. In 1940, their liabilities were twice as large as their financial assets. While this is the situation for agriculture as a whole, it would be interesting to know the financial status of the one-fourth or more of farmers who purchased their farms since the end of World War II. It could be that liquidity among the older farmers is very good and that of the more recent group considerably less so.

* * * * *

What this outlook means to the farmer is that the next year does not appear to be much different than this year. While there is little prospect for prices and incomes to be improved in 1954, there is also little likelihood of any further significant deterioration in the farmers' position.

The major problem for 1954 is the adjustment of large supplies more nearly in line with domestic and foreign requirements. A beginning has been made with the prospective acreage reductions in wheat and probably also in cotton. How well the over-all adjustments materialize depends also on what farmers do with the acreage that they will divert from these crops. This is the short-run problem and it may well be that the difficulties of adjustment over the next year or so obscure the fact that our population is growing very rapidly and with that growth a steadily expanding domestic demand for farm products. It is worthwhile remembering that our requirements for food and fiber in the domestic market will be about 10 percent larger in 1960 than now.

Commodity Summaries

Livestock and Meat.- A continued large supply of meat is in prospect for 1954 and, as in 1953 an unusually large part of it will be beef. Cattle and calf slaughter in 1953 will total around 36 million head. This is roughly equal to current production, and cattle numbers on January 1 are likely to be little different from January 1953. Slaughter will continue high in 1954 and, with a continued strong consumer demand, prices are expected to hold relatively stable around current levels. Fewer fed cattle will be marketed in the first half of 1954; prices may be higher than at their lows this year and profits from feeding are likely to be average or better. Hog production in 1953 is at a 5-year low and prices have been higher than in any other years except 1947 and 1948. Farrowings in prospect for this fall and next spring probably will result in larger hog slaughter after mid 1954. Hog prices should continue comparatively high in 1954 though somewhat lower next fall than this fall.

Dairy products.- Use of milk in regular commercial channels and on farms in 1954 probably will total around 115 billion pounds. Production next year is not expected to increase much over the 118 billion pounds in prospect for this year. But carryover stocks of manufactured dairy products into 1954 will be equal to more than 8 billion pounds of milk or about twice average carryover. Total supplies probably will exceed demand at prices approaching this year's level. Cash receipts from dairying may fall below 4 billion dollars in 1954 for the first time since 1950. However, costs are expected to decline a little and net income from dairying in 1954 may be little different than in 1953.

Eggs and Poultry.- Production of eggs and broilers will be record large in 1953 and output of each promises to be even larger next year. Prices may average somewhat lower in 1954 but the farm value of total production of eggs and poultry products probably will approximate the record high for this year.

Wheat.- With a carryover of about 560 million bushels and production around 1,163 million bushels, wheat supplies for the 1953-54 marketing year are estimated at a record of more than 1,700 million bushels. Domestic use may total 700 million bushels and exports possibly 250 million bushels indicating a further rise in the carryover in 1954. Marketing quotas implemented by acreage allotments will reduce the wheat crop in 1954. But prospective supplies for 1954-55 will provide for anticipated domestic use and export without reducing the large carryover stocks. Prices in 1954 will be supported at 90 percent of parity for growers who plant within their acreage allotments. The minimum loan level has been announced at \$2.20 per bushel compared with \$2.21 for the 1953 crop.

Corn and Other Feed.- Supplies of feed concentrates are estimated at 172 million tons for the 1953-54 feeding year, 3 million tons above last year and a near record supply per grain consuming animal unit. The supply appears adequate to meet 1953-54 feed requirements and leave a near record carryover of feed grains into the 1954-55 feeding year. Because of these large stocks, average or better feed concentrate supplies appear likely again for 1954-55. Total hay supplies for the current feeding year are slightly larger than last year but in Missouri and Kansas and throughout large areas of the South drought reduced production, and hay supplies are short.

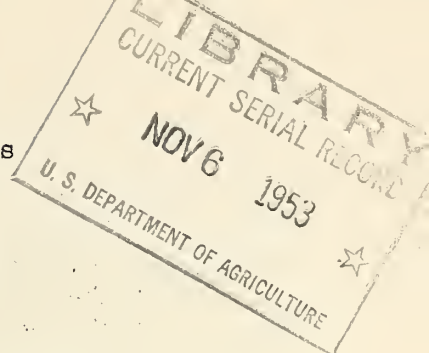
Cotton.- The supply of cotton for the 1953-54 marketing year is estimated at 21 million running bales; production of 15.4 million bales, a carryover of 5.5 million bales, and small imports make up this total. Production is in excess of prospective domestic use and exports and the carryover may increase by nearly 3 million bales during the year. Exports are expected to rise moderately from the 3 million bales for 1952-53. The Secretary of Agriculture has proclaimed marketing quotas for the 1954 cotton crop. If growers approve marketing quotas, the support price for the 1954 crop will remain at 90 percent of parity.

Fats, Oils and Oilseeds.- Production of food fats and oils in the current marketing year will be less than domestic use and exports, and some decline in stocks is likely. Supplies of most nonfood fats will be more than adequate to meet all needs and prices of inedible tallow and greases are likely to remain comparatively low. Exports of tallow and greases are likely to continue large and food fat exports are expected to increase somewhat in 1953-54.

Tobacco.- Domestic use of flue-cured and Burley tobacco in 1952-53 was above any previous year and may be still larger in 1953-54. Total exports of unmanufactured tobacco are likely to be about as large as in 1952-53. The prospective supply of flue-cured is a little less and that of Burley is a little above the 1952-53 level.

Fruits and Vegetables. - With little change in demand for fruit expected, weather and yields will likely determine the direction of price changes. Production of both deciduous and citrus fruits in 1954 probably will be somewhat larger than the 1953 crop. Indicated production of vegetables for commercial processing and carryover stocks from earlier packs point to adequate supplies for the coming year. Storage stocks of potatoes next January are expected to be larger than a year earlier. With an average early commercial potato crop in 1954, prices of both old and new-crop potatoes early next year may be not much or any better than the prices this past spring.

UNITED STATES DEPARTMENT OF AGRICULTURE
Agricultural Research Administration
Bureau of Human Nutrition and Home Economics



BACKGROUND INFORMATION FOR A DISCUSSION OF
FAMILY FINANCIAL SECURITY

Talk by Virginia Britton, Family Economics Division,
at the 31st Annual Agricultural Outlook Conference,
Washington 25, D. C., Wednesday, October 28, 1953

A. What are the risks?

We are all accustomed to saying that families should plan ahead. First, they need to plan ahead in order to accumulate funds for certain large expenditures such as the purchase of large items, college education for children, or vacation trips. Second, they need to plan ahead in order to protect themselves against certain financial risks. In these risks there is a large element of chance--the events may not occur; the time when they will occur cannot be predetermined; and their costs cannot be estimated exactly.

Today we will concentrate our attention on the problem of protection against risks which may result in reduced income and/or emergency expenses. I am going to review with you the frequency of these risks in the total population so that we will have a basis for estimating the risks to individual families. The risks are summarized in table 1.

B. What is the incidence of these hazards?

Early death--Since the death of the father is likely to mean the loss of the family's main source of financial support, the chance of his early death is of special concern. In table 2 we see that among men of 25 (about the median age of men at first marriage), 9 percent will be dead before they are 50 years old. But only 3 percent will be dead by age 40 when they are much more likely to be leaving young children.

The lower death rate for women is brought out strikingly by these figures which indicate that among those 25 years old, only 6 percent will be dead by age 50. More important from the viewpoint of family security, only 2 percent will be dead by age 40 and therefore likely to leave young children.

Financially speaking, death of children means decreased dependency rather than decreased income. Furthermore, the table shows the relatively small likelihood of death of both boys and girls after the first year of life, which is the hazardous year.

Old age--Life expectancy at birth for the American people has increased by 21 years during the first half of this century. In 1950 the average lifetime was 68 years contrasted with only 47 years in 1900. Because the most significant decline has been in infant and child mortality

rates, the increase in life expectancy at birth has been much greater than at the older age groups. Still, those who lived to age 20 at the beginning of the century could expect to live to age 63 whereas at present they can expect to live to age 71.

In order to avoid dependent old age, a large number of people need to consider the probability of living beyond their earning years. As you see in table 3, two-thirds of the men who are now 25 years old will live to celebrate their 65th birthday, whereas three-quarters of those now 50 years old will live so long. In other words, the more birthdays a man achieves, the more likely it is that he will achieve old age. Of those who reach their 65th birthday, three-fifths will reach 75 and one-fifth will reach 85. Comparable data for women indicate an even greater likelihood of reaching old age.

Unemployment.--Unemployment is tied up closely with economic conditions which are difficult to forecast. In table 4 you will see that last year only 3 percent of the labor force was unemployed--the same percentage as in 1929. In 1944 the figure was even lower. But in 1933, a quarter of the labor force was unemployed.

Even in periods of general economic prosperity, sizable unemployment sometimes occurs in certain areas. The movement of industry from one locality to another, technological improvements, and the seasonableness of certain industries sometimes cause unemployment in certain areas or industries while others are enjoying general prosperity.

Illness.--Data for 1935-36 indicate that the annual frequency of illness disabling the person for one week or longer (meaning that he was unable to carry on his usual activities) was 17 cases per 100 persons, the days of disability averaging 58 per case. Note in table 5 the decidedly higher frequency among younger people and among older people than for those 15-64 years of age. As would be expected, those 65 and over also had higher frequency of chronic illness and of disabling accidents. These facts would indicate the likelihood of sizable medical expenditures for the youngest and oldest groups.

Data from a sample survey of nonfarm wage earners and salaried workers in 1928-31 indicate that in a 12-month period 60 out of 100 workers had no illnesses, other than minor nondisabling ones. However, 40 out of 100 workers were ill during the year--17 workers for less than 12 days, 15 workers for 12-45 days, and 8 workers for 46 or more days. In addition to medical expenses, loss of income would be an important factor when the earner was ill--most especially for the 23 workers out of 100 who were ill for 12 or more days during the year.

Motor-vehicle accidents.--The importance of motor-vehicle accidents as a cause of personal injury or death is indicated in table 6 where we see that about two-fifths of all accidental deaths in 1952 (38,000 out of 96,000) were due to this cause as were a seventh of all nonfatal injuries. This means, then, that out of each 100 people in the country, 1 was killed or injured last year in a motor-vehicle accident.

There is also a tremendous amount of property damage resulting from motor-vehicle accidents. The average property damage was about \$160 per accident. For the Nation, the amount of property damage in motor-vehicle accidents was almost double the amount of property destroyed by fire.

Assuming the present accident rate, during 40 years of driving the average vehicle owner would be involved in 7 accidents, 1 nonfatal injury, and a total property damage of about \$1100. Furthermore, in the 40-year period, there would be one death due to a motor-vehicle accident for every 33 vehicle owners. Liability for personal or property damage is therefore a real hazard as is the death or nonfatal injury of a family member or damage to the family's auto.

C. How does the family's need for protection change during its life cycle?

The need of families for protection varies widely during the family life cycle. The family needs greatest protection against the loss of income due to the early death or unemployment of the earner during the early stages of the family cycle when the children are young. While there are pre-school children in the home, it is most difficult for the mother to take paid employment outside the home. When the children are older and in school, arrangements for their care while the mother works can be made more satisfactorily. Furthermore, the wife is still young enough to enter the labor market. However, a woman in her 50's, even though her children are grown and able to support themselves, may find herself in difficult circumstances if her husband dies. In normal times it is difficult for women in this age bracket to enter the labor market, particularly if they have not had any work experience during their 30's or 40's.

The desirability of having and the amount of protection needed against the hazards of emergency expenditures, such as those for illness, accident, loss of consumer capital goods, and liability for personal or property damages, also varies as change occurs in the number of people and in the value of goods owned.

With increasing life expectancy, the problem of providing adequate maintenance during non-earning years of old age is becoming greater. Furthermore, the need for protection of the parents against dependent old age becomes more insistent as old age approaches.

D. What are the effects of changing price and wage levels on the family's protection program?

Changes in consumer prices, in the value of investment items, and in family earnings affect the protection needs and programs of families.

The price level of consumer goods is particularly important to families attempting to prepare for later years when income is reduced or ceases. During a war period there are usually sharp changes in consumer prices. For example, between 1940 and 1952 prices of consumer goods almost doubled (see table 8). Although an income of \$900 a year might have been enough for an elderly couple in 1940, \$1700 might be needed today.

If we look back over consumer prices in the United States during the past century, we see that in addition to the short-run changes there is also a long-run change. Prices of consumer goods seem to have been moving generally upward since the middle of the 1890's. Dividing the last 60 years into three long periods of 20 years each, we find that the lowest annual index recorded in each period was about a third higher than the lowest index recorded in the previous period. The minimum long-run price index on a 1947-49 base was approximately 38 in 1910, 51 in 1930, and 69 in 1950. Assuming a continuation of the same average rate of increase, the minimum long-run price index might be estimated to be about 94 in 1970.

The family may want to use certain investments to hedge against business cycle changes--a depression or inflation. Holdings in cash and cash forms such as U.S. bonds are prime examples of investments which hedge against depression. Home and business ownership, on the other hand, are the classical examples of hedging against inflation. A diversity of types of investments is often recommended to guard against the up's and down's of our economy.

Changes which may occur in the husband's earnings during business cycles and in the long run should be taken into account in planning investment programs. The family should not get so tied up with payments on mortgages and insurance policies that it can't pull through a period of adversity when earnings are lower. Furthermore, has the family thought about what would happen if it couldn't meet its commitments? Can adjustments be made in the size of the commitments or will a sizable loss be entailed?

We are accustomed to thinking of the swing in the family cycle as the family size increases from two members up to its maximum, remains there a period, then declines. We are also accustomed to thinking of the up's and down's of the business cycle. Now put the two cycles together. For some families, the financial burden of the period when the family is largest is lightened by coinciding with a period of business prosperity. For others, the financial burden is enlarged by coinciding with a period of depression.

You can no doubt think of other pertinent examples--the case of a retired couple whose investments were wiped out in 1929-32 versus the situation of a younger businessman who had opportunities later to recoup the family fortunes and provide for retirement.

E. What are the general types of protection against these hazards?

Protection against the financial risks discussed above which result in decreased income and/or emergency expenses that cannot be met out of current income is provided by several important sources, singly or in combination. If the family has insurance which covers the cost of the risk, it is fortunate. If insurance does not cover the cost, the family dips into its cash or other liquid assets, goes into debt, borrows money on its future earnings or on its home or farm or business, or sells some

Table 16A.—INSURANCE AGAINST DEATH, DEPENDENT OLD-AGE, AND UNEMPLOYMENT BY
NUMBER OF PERSONS INSURED AND AVERAGE AMOUNT OF INSURANCE

Type of insurance (1)	Approximate number of persons (2)	Approximate average amount (3)
	<u>Number in Millions</u>	<u>Dollars</u>
Private life insurance including fraternal insurance:		
Individuals.....	90.5	3,200
Families	35.4	8,000
Veterans' Administration <u>1</u> /.....	7.4	7,000
OASI:		
Insured workers (Jan. 1953)	66.5	4,300
Married men with children	20.0	11,400
Married men without children..	14.0	2,500
Monthly benefits (July 1953):		
Retired workers.....	3.0	51
Wife's or husband's.....	.8	27
Survivors:		
Aged.....	.5	41
Children and their mothers....	1.2	33
Railroad Retirement:		
Average employment (1952-53)....	1.4	--
Monthly benefits (July 1953):		
Retired workers.....	.3	96
Wives.....	.1	36
Survivors	.2	41
Private retirement plans (Dec.1951)	9.6	--
Monthly benefits being paid.....	.5	55
Retirement plans for public employees (Dec. 1952).....	4.6	--
Monthly benefits being paid.....	.6	100
Individual annuities.....	2.0	--
Annuities currently being paid..	.6	380 (annual)
Unemployment insurance (including railroad program):		
Insured workers (July 1953).....	38.1	--
Workers in receipt of benefits..	.7	23 (weekly)

1/ Includes World War I and World War II, and Korean Conflict life insurance.

AN EXPLANATION OF TABLE A

Prepared by Virginia Britton
Family Economics Division, BHNHE

The financial plan for a nonfarm family presented in Table A has been prepared solely for illustrative purposes. It implies no suggestion that it is a perfect plan for all families, nor even for the family described. Each family knows itself best and, therefore, has to work on tailoring its program to its own ability and needs. A protection program which would be well suited to one family may be wholly inadequate for another, or unnecessary, or even impossible.

The most important facts which one needs to know about a family in order to work out a protection program for it are given in the illustration in columns 1-6 and 13. These figures have been derived from data available about nonfarm families in the United States so that the financial situation described is illustrative of that of many families.

Several assumptions were than made about the family:

1. That the husband is employed in an industry covered by Old-Age and Survivors Insurance.

2. That the husband retires at 65 years of age.

3. That the family makes a sizable part of its investments in a home which it bought when the husband was 30 years old. Thus, column 3 shows the value of the home; column 4 shows the mortgage liability; and column 5 shows the family's equity in the home at the beginning of each period in the family cycle. Column 6 shows annual payments made on the home mortgage during different periods in the family cycle. Column 7 is then a calculation of what is left out of income after payments on the principal of the mortgage.

4. Furthermore, it is assumed that general price levels, wage levels, and value of real estate do not change during the life cycle of the family. This is probably the most unrealistic assumption made since it is impossible to believe that changes would not occur during this 35-year period out of the family's life history. Consequently, this assumption makes the case a great deal simpler to deal with than would be the situation of a living family.

Within all of these assumptions, then, a protection program has been worked out for this family as of the first year of each stage of the family life cycle. This ^{is} in line with our realization that the needs of a given family for protection and its ability to provide protection are constantly changing.

The protection program suggested is presented in columns 9-11 which indicate the insurance policies carried, the protection which they provide, and their costs; column 12 indicates additional savings made. Column 8 shows the money spent for current consumption (excluding all savings and investments and expenditures on insurance). No assumption has been made as to whether the family owns a car; therefore, insurance necessary in operating a car has not been provided for in this plan.

A noteworthy feature of the protection program for this nonfarm wage family is the protection provided by Old-Age and Survivors Insurance. Since OASI is not usually available to farm operators at the present time, you will not have a similar task in working out the protection program for the farm-operator family. However, we thought it might be useful to you to see the approximate figures worked out for this nonfarm family.

The protection program worked out for this nonfarm family may be a good deal more generous than many families would be willing to provide. This is partly because many families do not give careful consideration to the problems involved. For others, the needs for current consumption seem more important than the possible eventuality of decreased income or high emergency expenses.

Unfortunately, some families which have most need for a large amount of protection have least ability to provide it. For example, families with high dependency burden and low savings or other assets have great need for protection, but the same high dependency burden makes a drain on current income which may be so great that there is little or no money left for provision against future contingencies. At the other extreme are a few families whose investments are ample provision against contingencies. However, a large part of our families are in the middle group--they can make some provision against financial risks, but they have the problem of maximizing the protection they get for their money.

UNITED STATES DEPARTMENT OF AGRICULTURE
Bureau of Human Nutrition and Home Economics

CONSUMERS' DURABLE GOODS

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Talk by L. Jay Atkinson, Economist, Office of Business Economics, Department of Commerce, at the 31st Annual Agricultural Outlook Conference, Washington, D. C. October 27, 1953

Consumers have been buying more durable goods in 1953 than a year earlier. Output of these products is up by a larger margin, and as a consequence, some stock accumulation has occurred both in producers and in distributors hands. Prices have shown little change in the past year, though the increase in supplies has been accompanied by better "trade-ins" and special discounts to consumers. In recent months there has been some decline in buying of consumer durables, especially homefurnishings.

For the homefurnishings group as a whole, including furniture as well as appliances, radio and television, retail purchases showed a considerable increase in the final quarter of 1952, after allowance for the usual seasonal rise in the final months of the year. On an adjusted basis they were well above any period since the buying wave at the beginning of 1951 and nearly 10 percent higher than in the corresponding quarter a year earlier. This stronger buying rate was just about maintained in the first half of 1953, running a little more than 5 percent above a year earlier throughout this period. During the summer of 1953, however, buying began to taper off. This doesn't seem to be merely a seasonal influence--in fact there are enough "hot-weather" items in the appliance group such as refrigerators, freezers, and air conditioners, together with "summer sales" of furniture to keep volume high as a rule during these months. Purchases during the third quarter declined to about the same rate as a year earlier.

The principal easing in buying has occurred at furniture and homefurnishings stores--rather than in the stores selling mainly appliances--and even in this group the change is quite small. Sales at these stores during the first half of 1953 were about the same as a year earlier. In the third quarter, however, there appears to be some decline, though the only sizeable changes are for August and September, both of which are available only on a preliminary basis as of this date. Other evidence of an easing in demand is a decline in factory shipments of furniture, some reduction in employment and in hours worked per week in furniture factories together with an increase in factory stocks. All of these changes are relatively small, but they do suggest a gradual adjustment in this sector of consumer demand.

On the other hand, consumer purchases of household appliances and radio and television have remained high during the first three quarters of 1953. Buying has run well ahead of the corresponding period of 1952, with the latest preliminary estimates showing a considerable margin over a year earlier.

There was a cutback in output in the third quarter, however, reflecting some earlier stock accumulation during the first half of the year when production was one-third higher than in the corresponding period of 1952. Stocks remain higher than a year ago, with the increase moderately greater than the advance in sales during the same period.

A part of the strong trend in electrical appliances and radio-TV is attributable to the rapid growth in a few of the major items. Of these, the most spectacular is room air conditioners. Sales of these reached the one million mark in 1953, about three times as many as were sold in 1952. Since each individual unit has a big price tag, the air conditioner now represents one of the principal home appliances. It ranks only a little below home freezers in terms of consumer spending.

Television has continued to expand in 1953. More than 5 million sets were produced in the first 9 months of 1953. Since consumer buying is concentrated heavily in the final quarter of the year, stocks have been accumulated in advance of the heavy selling season, and supplies are ample to provide good consumer selection. Technological advances have been rapid in this relatively new industry and consumers are being offered better-performing sets at relatively steady prices. Color sets have been demonstrated in recent months, but it will be many months before the mass-production stage is reached.

Production of most of the major household appliances; i.e., excluding radio-TV, has been substantially higher in 1953 than a year ago. In the first quarter, output averaged more than one-fourth above the corresponding period a year earlier. During the second quarter there was some curtailment in production as stocks became rather large, and the rate of output continued lower in the third quarter, although it remained higher than a year earlier. Prices have been relatively steady during 1953 following substantial downward adjustments during the course of 1952. For those products which contain a considerable quantity of steel, such as refrigerators and freezers, costs of materials have increased during the past year, and in a few instances increases have been made in factory prices, but in general such increases together with higher wage rates have not been passed on to consumers. On the contrary, rather large stocks of many of the leading brands of household durables have been offered to consumers in a number of urban areas at substantial reductions from list prices. In many instances such products became available because of special stock accumulations and often involved reorganizations of distributors or retailers. Though such developments are always occurring under normal competitive conditions, the volume of such merchandise has been unusually large in the past year or so, constituting a special development which has aroused considerable trade interest and discussion and is of interest to consumers as well.

For appliances and radio-TV as a group, the rise in consumer spending from 1952 to 1953 has been about proportional to the change in disposable income--i.e., income after taxes. On the other hand the proportion of income spent for furniture and home furnishings is lower in 1953. One influence contributing to the weakening in furniture demand is a moderate slackening in new housing construction. Our analyses of the demand for furniture have indicated that the

volume of new housing construction affects the demand for furniture. Though appliances are also affected, the proportion of total appliances bought for new houses appears to be smaller than the proportion of all furniture purchased for new houses. Since furniture lasts considerably longer than appliances, the replacement market appears to be of less significance for furniture than for appliances and radio-TV.

From the standpoint of consumer spending, the most important of the durable goods is the passenger automobile. In 1950 approximately 2 out of 3 farm families owned an automobile and 3 out of 4 farm families owned either a car or a truck.

The proportion of farm families owning an automobile appears to be a little higher than the proportion of all families having an automobile. We know that rural families have less access to mass transportation than urban families and are more often dependent on the family car for transportation.

In 1953 consumers are buying one-third more automobiles than a year earlier. New car buying in the first 3 quarters of 1953 is running at a $5\frac{3}{4}$ million annual rate as compared with 4.2 million new cars in 1952, when both control of materials and a strike in the steel industry held down production.

This substantial rise in new car buying has had an important influence upon consumer budgets in 1953. The median expenditure for a new car was \$2,500 in 1952, and prices were about the same in 1953. Approximately \$1,000 of this was financed by the trade-in or sale of a used car. The balance was financed by borrowing in about 3 out of 5 instances. The high volume of car buying has been the principal cause of a considerable rise in consumer debt, a point which is discussed by another speaker in this program.

In judging prospective demand for automobiles, let us examine some of the characteristics of automobile demand as it has developed in 1953. In the first place, buying has been quite steady subject only to the usual seasonal variation. Sales of new cars were about 400,000 in each of the first 2 months of the year, rising to 500,000 in March and remaining at this rate through August, with some decline occurring in September and early October according to preliminary reports. Stocks of cars at the end of September were a little larger than one month's sales. The supply of used cars was increased as a consequence of the rapid sale of new cars, and there was a moderate decline in the price of used cars. There was evidence of increased competition in the industry with larger advertising outlays by manufacturers and better trade-in allowances by dealers. At the same time, however, consumers bought a relatively high proportion of luxury models with rather expensive "optional" equipment. These "high style" models with a pronounced trend toward sports cars were favored by consumers and of course emphasized by manufacturers' production schedules at the expense of "economy" models stripped of extras. This tendency toward the more expensive models has increased consumer spending and lent a moderately optimistic air to the automobile market in general despite a seasonal tapering off in automobile sales at the end of the third quarter. New 1954 models announced up to this time have been introduced at about the same price established for the 1953 cars.

For consumer durables as a whole, then, supplies are quite adequate with full ranges of styles and models for consumer selection. Prices have been relatively stable for several months and consumer purchasing at the end of the third quarter is slightly lower than in the first half of the year, but higher than in 1952. Most of the increase from a year ago is in automobile buying, but appliance and radio-TV are also higher, whereas furniture and homefurnishings are lagging below a year ago.

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Source: Board of Governors, Federal Reserve System.

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UNITED STATES DEPARTMENT OF AGRICULTURE
Agricultural Research Administration
Bureau of Human Nutrition and Home Economics

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U.S. DEPARTMENT OF AGRICULTURE

FAMILY PROPERTY AND OTHER ASSETS

Talk by Irving Schweiger, Consumer Credit and Finances Section,
Board of Governors of the Federal Reserve System, at the 31st
Annual Agricultural Outlook Conference, Washington 25, D. C.,
Wednesday, October 28, 1953.

The financial security of individual families depends not only on the maintenance of incomes as discussed by previous speakers, but on the savings which families have accumulated. Most personal saving is under the control of the individual both as to amount saved and form of investment. Examples would be money put into savings bonds or into business. A substantial portion of current saving, possibly one-fifth, is, however, socially regulated both as to amount and to form with little or no individual control over these funds. Examples are old age and survivors insurance and retirement contributions of railroad or of government workers. It is not possible to state the precise value of accumulated savings of these socially regulated types because the future benefits accrued are substantially greater than funds contributed. Further, there may be in the future, as there has been in the past, an increase in benefits from these programs without a comparable increase in direct contributions. In this talk, I will concentrate on individually controlled savings. Later speakers will discuss socially controlled savings.

Personal saving of the types controlled by individuals has been of unprecedented volume during and since World War II. In the twelve years from 1940 to 1952, the Department of Commerce estimates that net personal saving amounted to roughly 200 billion dollars. These savings appear to have been broadly distributed through the population -- possibly more so than in any previous period.

A survey conducted by the Federal Reserve Board at the beginning of this year found, that, taking both the major assets and liabilities of each consumer spending unit into account, nearly half of the 54 million spending units were worth \$5,000 or more and about one-tenth were worth \$25,000 or more. (A spending unit is roughly similar to a family.) However, approximately one-tenth had debts that exceeded their assets. In the main, these were young married people whose debts were counted but the household goods for which the debts were largely incurred were not counted as assets. Approximately 4 in every 10 consumers were completely free of debt. The 6 in 10 who owed some money, such as personal debt or debt on home, farm, or real estate, were relatively most frequent at the \$4,000 to \$7,500 income level, among wage-earners, and in the 25 to 34 age group.

To use a figure by which families of farm operators can judge how well they are doing, at the beginning of 1953 half of all farm operators had a net worth greater than \$13,500 and half were worth less than \$13,500. Three years earlier, the comparable dividing line was approximately \$11,000. More than 30 per cent of farm operators were worth \$25,000 or more in early 1953 compared with about 22 per cent three years earlier. Small holdings -- less than \$5,000 -- declined from 34 to 27 per cent in the same period.

Farm operators were second only to self-employed nonfarm businessmen in size of net worth. The median figure for the nonfarm business group was \$17,000. The occupational group with the lowest average amount of net worth was the unskilled and service workers (less than \$1,000).

The age of the consumer has always been thought to be significantly related to his wealth position. The survey provides documentation for this belief and spells out the extent to which this is true.

This is the relationship of the various age groups:

18-24	\$ 300
25-34	2,100
35-44	4,500
45-54	8,200
55-64	8,600
65 and over	8,400

The current wealth position of these groups show a sharp rise in net worth from each age group to the next older group -- from the youngest group up to the age of 45-54 and then there is little change. These figures represent not only saving out of income but also the effect of price rises over the past 20 years and the depressing effect of the 1929 crash. It is possible that this flatness may result partly from the depression. The people who are now 45 and over were 25 or older back in 1932 and the savings of many of them may have been virtually eliminated at that time wiping out differences among them, which may explain in part the clustering at this level.

Growth in resources with advancing age was found to be true for farmers as well as for the general population. More than 4 in every 10 farmers 55 years of age or older were worth at least \$25,000 compared with between 1 and 2 in 10 for those less than 35 years of age. At the other end of the scale, about one-fourth of older farmers (55 and over) were worth less than \$5,000 compared with about one-third of the younger group (under 35).

One way of measuring the financial security of a consumer unit is to relate his net worth at current market prices to his income. The median amount of net worth or accumulated savings in early 1953 was one-fifth larger than median income in the preceding year (\$4,100 compared with \$3,420). About half of the consumer units reported accumulated savings equal to at least one year's income and one-fourth had accumulated as much as three year's current income. On the other hand, for slightly more than one-fourth net resources were equal to less than three month's income. Farm operators show up very well in this kind of comparison, partly because reference is made solely to their money incomes. In early 1953, 6 of every 10 farm operators had net worth equal to at least three year's income while an additional 1 in 10 had resources equal to between 1 and 3 year's income. These ratios may have changed somewhat since the survey was conducted at the beginning of this year.

The types of assets in which families invest or hold their savings have a very important bearing on their financial position. In general, most broad groups -- by age, income, occupation, net worth -- hold the major part of their net resources in assets subject to price change -- such as homes, farms, and corporate stock rather than in fixed value assets such as bank deposits and savings bonds. The same pattern is also true for most individual consumers. The largest component of family savings is investment in owner-occupied homes. The current value of this asset in early 1953 was \$250 billion. With mortgage debt of roughly \$50 billion on these homes, net equity in them amounted to about \$200 billion. The next largest investment was in business -- farm or nonfarm. The value of such assets was nearly \$200 billion with slightly more than half in the form of nonfarm business assets and slightly less than half in the form of farm assets. Liquid assets as obtained in the survey amounted to about \$100 billion and owned real estate and common stock together totaled almost 150 billion. As an indication of relative importance, life insurance, which was not covered in the survey, had an estimated total cash surrender value of less than 50 billions.

The composition of the family balance sheet appears to change substantially with age and with the amount of resources, two factors which are related. The net worth of young consumers (less than 35 years of age), reflects primarily the ownership of consumer capital goods (homes and automobiles), which are financed to a considerable extent by borrowing. As age increases, both consumer capital goods and consequently debt decline progressively in relation to net worth while business assets assume greater importance. Fixed value assets appear to bear a fairly stable relationship to net worth in all age groups. A somewhat similar pattern appears as net worth increases. Then, the ratio of business and investment assets rises sharply while the ratios of consumer capital goods, fixed value assets, and debt to net worth decline substantially.

Although the specific composition of accumulated savings shifts with age and amount of resources as just explained, there is little alteration of the basic pattern -- that the major part of savings are held in assets subject to change in value. In certain groups, consumer capital goods may be more important, in other groups, business assets -- but in nearly all groups assets subject to change in market value are of greatest importance.

The effect on variable value assets of a change in prices can be illustrated by the change in value of owner-occupied homes between 1950 and 1953. Early in 1950, owner-occupied homes were valued by their owners at about \$180 billion dollars. The average value of existing homes is estimated to have risen about 15 per cent between early 1950 and early 1953, resulting in an increase of more than \$25 billion in the current market value of these homes.

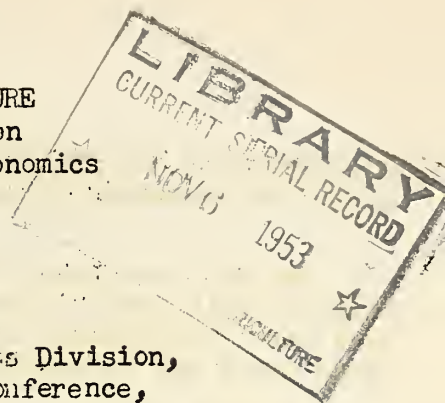
The pattern of investment of farm operators shows a degree of concentration in one type of asset -- their farm operation -- that is far greater than that of any other major group. This concentration makes them especially sensitive to any downturns in farm prices and therefore in both the income and the value of their savings.

For farmers, the value of their farms, additional farm land, machinery and livestock and crops amounted to nearly nine-tenths of their total assets. Their only other substantial saving was in the form of liquid assets and even much of this was undoubtedly related to their farm operation. Their investment in common stock appeared to be the lowest, relative to assets, of any occupational group and their saving in life insurance is estimated to be among the lowest. This concentration of investment by farmers is considerably greater than is found for nonfarm businessmen and leaves the farmers considerably more dependent upon their business enterprise. With their financial security so completely bound up in their farm operation, it would be surprising if farmers did not react strongly to a downturn in farm prices.

UNITED STATES DEPARTMENT OF AGRICULTURE
Agricultural Research Administration
Bureau of Human Nutrition and Home Economics

FARM HOUSING

Talk by Barbara B. Reagan, Family Economics Division,
at the 31st Annual Agricultural Outlook Conference,
Washington, D. C., October 27, 1953



Although there may be deterrents in the next year to construction of new farmhouses or installation of major improvements, many farmers are still in a position to make much needed improvements. For many farm families water systems are the next step in increased levels of living.

Current construction activity

The all-time high in farm expenditures for buildings--repairs, improvements, and new construction of dwellings and service buildings--was from 1950 to 1952. The 1953 expenditure level, however, is expected to be down to a little below the second highest level, which was in 1948 and 1949. This may well mean that 1953 has the lowest volume of farm construction of any year since the end of World War II.

The decline in farm building expenditures this year is in contrast to an increase in city building. The number of private nonfarm residential units started in the first 9 months of this year was slightly higher than in the same period of last year. However, there may well be a moderate decline in private nonfarm residential construction next year.

Factors in a family's decision to invest in housing

Several factors will probably deter some farm families from building new houses or making major improvements this next year, and thus contribute to a further decline from the 1950-1952 construction peak. One is farm income. Another is the credit situation.

It now looks as if the 1953 realized net farm income is going to be below that of 1952, much as 1952 was below 1951. In the aggregate, 1/ it is expected to be down about 5 percent.

A stabilizing effect, however, is income from nonfarm work or other nonfarm sources. Such nonfarm income in 1953 may be close to \$1,000 per household living

1/ This includes farm wages as well as operators' income.

on farms as it was in 1952. Total family income this year may average about \$3,350 per household living on farms.

For the year ahead, it is thought that farm family income will hold fairly close to this year's figure. In purchasing-power terms, average family income next year will probably be at about the level of 1950, previously the lowest year since World War II started.

For this year and next, farm family income is still high enough for many families to consider undertaking major improvements in their houses even though some uncertainty as to income prospects coupled with 2 years of farm income decline may cause some families to postpone immediate action.

This past spring about 40 percent of the farmers in the 1953 Survey of Consumer Finances sample reported that their financial situation was worse than the year before. This was a little higher proportion than had felt that way the year before. In some areas, recent droughts and uncertainty as to future rainfall is contributing to conservative attitudes toward major investments.

Another deterrent to new farm building is the credit situation. The supply of merchant and commercial bank credit has been somewhat tight, although Production Credit Associations have funds for short-term loans to farm families, and Federal Land Banks have funds for long-term mortgages for construction and repair of homes. Also interest rates are a little higher. It is not known whether this trend will continue next year; government policies carried out through the Federal Reserve Board will be an important factor and current policies may be designed to keep interest rates from going higher. If not, higher interest rates may keep some families from borrowing the money to build or to finance major housing improvements. However, an increase of one-half percent or so on a loan of up to \$2,000 or \$3,000 does not seem large enough to be an effective barrier for families that are in a position to make the improvement.

We don't know the effect of interest rates on farm family decisions, but considering the country as a whole, consumer credit for repair and modernization of home increased each of the first 9 months of 1953 in spite of increasing interest rates. This continued the upward trend in such credit that prevailed during 1952.

A special source of credit available to farm families who wish to build new houses or improve their current houses has been the Department's farm housing program. Since the fall of 1949 when the program started, more than 14,000 farm families have borrowed 66 million dollars through the Farmers Home Administration to build new houses or make major improvements in houses. For this fiscal year, which goes through June of 1954, funds available for such loans are curtailed; at the end of the year the authority to make additional loans expires, unless Congress acts to extend it.

The supply picture does not present obstacles to home building or improvement. Supplies of building materials and major items of household equipment are adequate. Prices of building materials for farmhouses have declined slightly since the high point reached in 1951 and are about at the same level as in 1952. Household equipment prices are steady, or possibly down a little.

Even if the overall 1954 level of farm building and construction is somewhat lower than in 1953, there may well be considerable activity and interest in farm-house improvements, especially among the farm families with higher reserves. Based on an extremely small sample of farm owners, the Survey of Consumer Finances shows that this past spring (1953) nearly a fourth of the farm owners were planning to make major expenditures for repairs, additions, or improvements to their houses. Eight percent planned to spend from \$100 to \$499, 7 percent planned from \$500 to \$999, and 10 percent planned to spend \$1,000 or more on their houses. In general, reported plans have been found to be understatements of the activity that actually later takes place.

Farmers building and kinds of construction

The great majority of new houses are built by farm owner operators. Nearly 90 percent of all new houses built from 1945 to 1950 in the North and West were built by owner operators. In the South, about 75 percent of the new houses in these years were built by owner operators.

Only about a fourth of the dwellings built for operator families in the 5 years preceding the last Census were on the largest farms. (These are the class I to IV commercial farms, and comprise 40 percent of all farms.) Much of the new building has been on low-production farms—the smallest commercial farms and the part-time and residential units, each of which sold less than \$2,500 worth of farm products in 1949. In the South the building rate was higher for residential units, and in the North it was higher for part-time and small-scale commercial (class VI) units.

Not all of the new houses built could be called adequate structures; some were of relatively cheap and unsubstantial construction, and some were too small. About 10 percent of the new farmhouses built from 1945 to 1950 were either classified as dilapidated by Census enumerators in 1950 or had only 1 or 2 rooms.

The kinds of new houses being built by moderate-income farmers are shown by Farmers Home Administration data for over 3,600 houses built from 1950 through June 1952 and financed through farm housing loans. Families were not restricted by the loan agreement as to the house plans used, except that as in Federal Housing loans, certain construction minima had to be met. More than 40 percent of the families in this group used Farmers Home Administration plans, a few used Extension Service plans, and over half used plans from other sources. The group served by these loans is composed of farmers that cannot get financing elsewhere for the improvements, and therefore probably have lower income than the average farmer building a new house. About 80 percent of the group are in the South.

The average cash cost of the house built by these farm families was about \$6,200 in the South, \$7,200 in the Midwest, and \$8,000 in the West. The great majority of the houses in all three regions were 1 story with 5 or 6 rooms. In the South about two-thirds had continuous slab foundations, which means no basements, and in the Midwest about two-thirds had basements. In the West, the houses were about evenly divided between those with and without basements. The predominant exterior wall materials were asbestos shingles in the South and wood

siding in the Midwest. Wood siding and masonry walls competed for first place in the West. Nearly all of these new houses had running water installed, although only about half had water heaters. Nearly all had other plumbing items and electricity, but in the Midwest only about two-thirds had central heating, and in the South only about one-fourth.

Many more farm families are making major improvements in their existing houses than are building new ones. The kinds of major improvements being made are shown by FHA data on more than 2,200 loans made for major improvements and repairs. Running water was installed by more than half the families who improved existing homes, and bath fixtures and electricity were installed almost as frequently. The average cash cost of these improvements and repairs was more than \$2,000 in the South and nearly \$2,700 in the Midwest.

Future for installation of running water

At the time of last year's Outlook Conference data on running water in farm-houses were not available for all States. Now it is. (Chart attached.) Those Southern and Midwest States where less than 40 percent of the farm dwellings had running water piped in are shown with a lighter shading on this chart. In only 14 Northeast and Western States do 70 percent or more of the farm families have this facility.

Even though progress has been made since the 1950 Census was taken, Census data can be used to indicate the farm groups that are most apt to be interested in installing running water in the next few years. A recent cooperative project of Census, BAE, and BHNHE cross-tabulated family characteristics, income, and housing data from the Census of Population and Housing schedules with farm and farm-operator family data from the Census of Agriculture schedules for a national sample of farm-operator families. ^{2/} This provides information heretofore unavailable on the problem housing areas in agriculture.

In most situations, electricity is a prerequisite for piped running water. About 40 percent of the farm families in 1950 had both. Only about 20 percent had neither. Thus, the nearly 40 percent that had electricity but no running water could be considered as having taken at least the first step towards installing water systems in the near future. Few of this group are in the West.

Consider first the North. There are nearly 800,000 farmers there with electricity but without piped running water in their houses. This is one-third of all farms in those States. The most sizable portion of the 800,000 are owner operators of commercial farms--55 percent. (Chart attached.) Another 25 percent are tenants operating commercial units, and the other 20 percent have part-time or residential farms, which in nearly all cases they own. Of these, the owners are most apt to install water systems, although higher income tenants may also choose to install them, especially if they have special lease arrangements.

^{2/} Estimates from special tabulations made in this project and presented in this section have been rounded to the nearest 50,000 farm-operator families.

If we consider that the farmers falling in the upper third ^{3/} of the nation's farm family income distribution would be able to make such an investment, then about 250,000 Northern farmers are in a position to add water systems to their houses in the next few years. This would represent nearly 10 percent of all farmers in the North. Based on this line of argument and the assumption that the farm family income situation does not get worse, a conservative estimate is that by 1955 or so, the approximately half of the Northern farm-operator families with piped running water in their houses in 1950 could be increased to 60 percent. If owners in the middle income group (\$1,000-\$2,999) also decided to install running water in their houses, the estimate would be 70 percent, which is probably over-optimistic.

In the South, the number of farmers with electricity but no running water is even larger than in the North, but the group that is in a position to install running water in the near future is smaller. Only 150,000 out of the 1,100,000 farms with electricity but no running water are in the upper third of the income distribution of U. S. farmers. (Chart attached.) When the last Census was taken, about 30 percent of the Southern farm-operator families had piped running water. If all those just described as in a position to install did so, 35 percent would have running water piped into their houses by 1955. The estimate of those most likely to be installing water systems could be more than tripled if this improvement were undertaken by owner operators in the middle income group, which means family income between \$1,000 and \$3,000 in 1949. About 150,000 of these farmers owned part-time or residential units and 200,000 owned commercial farms. Such an increase to about 45 percent is undoubtedly too optimistic.

Many of the farm families that have electricity but not yet running water installed have a good start toward modern household equipment for the farm wife to work with. Especially is this so in the Northern States. In the North, about 85 percent of these families had electric washing machines, and 75 percent had mechanical refrigerators. More than half had kitchen sinks with drains. About 40 percent had electric or gas cookstoves. Furthermore, about a third already had electric pumps somewhere on the farm, which in some cases may be a preliminary step to piping water inside the house. In the South, half or a little more of these families had mechanical refrigerators and electric washing machines, but only small proportions had the other specified types of major household equipment.

More than a million farm-operator families have neither electricity nor piped running water in their houses. These families also may be of special interest to home economists and could be the subject of another discussion. However, few of them are likely to be making major investments in piped running water in the house any time soon.

Summary

Although materials and supplies are adequate and farm income is expected to be little different next year, effective demand for major housing improvements or new

^{3/} Family income of \$3,000 or more, which about 30 percent of farm operators reported for 1949.

house construction is likely to decrease somewhat because of income uncertainties, the past decline in farm income, and the credit situation. The need for farm-house improvements is still great, especially for piping running water into the house. About 40 percent of the farm families in 1950 had electricity, but no running water, and potentially are ready to consider a water system. But not all of them have the money. Only about a fifth of these families are in the upper third of the family income distribution of the nation's farmers. Using this as the basis of estimating effective demand, the percent of farm families with piped running water in their houses may well increase from the 1950 level of 43 percent to about 50 percent in the next few years. And the increase could be greater if owners in the middle income group installed water systems.

Such increases are in line with the rising standards of living of farm families, and with rising levels in the country as a whole. However, families will often have to work hard to rearrange their family spending and their asset situation to make such major improvements possible. Many will need your help and advice, and that of other Extension workers.

We must not lose sight of about 850,000 farm-operator families living in houses classed as dilapidated; they need more basic housing improvements. Other families may need other types of improvements. Yet installation of running water is the next big step for many families in improved levels of farm living. Electricity has been the key to home improvements. A pressure water system further opens the door for convenience and equipment to make farm housework easier.

FARMING ADJUSTMENTS

John C. Doneth, Extension Specialist in Agricultural Economics
Michigan State College, East Lansing

Address, National Agricultural Outlook Conference
October 27, 1953, Washington, D. C.

Michigan farmers are not very happy these days. This is indicated by the 60 percent response to a 5 page farm management questionnaire which we sent to about 700 farmers a month ago. In general, the good, well-established farmers seem to have things under control and are not particularly worried. They have laid tile, spread lime, used lots of fertilizer, made improvements in the home and farm buildings, equipped themselves with power and machinery, got their livestock loads up, and are pretty well out of debt.

There are a lot of farmers (and this represents a much larger percentage than the first) who have not made all of these adjustments -- small farmers, those on poorer farms, those with poorer markets, those who have their farm businesses poorly organized and are operating inefficiently, those who have been heavy in debt and still are, and of course those with less farming ability. Some of these are very critical about what the government is or isn't doing to help the farmer.

Then too, there are the young farmers. Their farm businesses generally lack size and their equities are small. They need more land, more livestock, more machinery, and usually more credit. These are critical needs but how to obtain them is a real problem confronting these young farm families today.

Before thinking about desirable farm adjustments for 1954, we tried first to appraise the situation under which farmers would be operating during the coming year. Here is the way it looks to us in Michigan.

1. The prices of most of our farm products will be no higher than in 1953 and in some cases a little lower.
2. The cost of non-farm produced items will average about the same as in 1953.
3. Farm labor will be scarce especially in a rather strong industrial state like ours so there will probably be a little less labor hired.
4. Farm wage rates will probably average slightly higher.
5. Our account farmers say that land values are about 7-8 percent lower than a year ago and will continue to go down another 7-8 percent in the next year.
6. Credit may be a bit tighter but generally there seems to be enough available. Sixty-eight percent of the 400 farmers said there is enough credit available. Some say there is more credit than they dare to use.

7. Labor incomes (which represent a combination of cash transactions and inventory changes) declined 23 percent on Michigan farms from 1951 to 1952. The 1951 peak was the highest on record in Michigan. The decline in 1952 was general throughout the north-central states. Incidentally, this labor income figure comes closer to representing how farmers feel than any other income figure we have found. For 1953, our farmers feel that another 20 percent decline in labor incomes will occur. Further, three-quarters of them feel that this will continue in 1954.
8. This attitude of farmers towards 1954 is important because in my opinion farmers are considerably more pessimistic than the economic situation justifies. This is especially true if they make some of the adjustments they indicate they are going to make.

What are some of these adjustments? Let's look at the changes planned in cropping programs in 1954. This indicates the number of farmers planning the change and not how much they are actually changing.

Anticipated Cropping Program in 1954 Compared to 1953

Crop	More	Same	Less	No Reply
Wheat	10%	12%	60%	18%
Oats	36	49	10	5
Corn	28	50	7	15
Hay and pasture	35	54	4	7
Grass silage	13	29	2	56*
Legume seed	10	23	3	64*

* Most of these farmers do not put up grass silage or harvest legume seed.

1. These figures show that most of our farmers have reduced their winter wheat acreage.
2. Acreages of corn, oats, and meadow land will show increases unless penalties for growing corn are more severe than seems likely at present.
3. We estimate that wheat acreage in the state is down about 20 percent which means close to 300,000 acres going out of wheat (1,500,000 acres down to 1,200,000 acres).
4. This is quite significant when one considers that this acreage reduction now equals all the acres we have in barley, soybeans, sugar beets, and potatoes in Michigan.
5. From a farm organization standpoint though it will not mean much generally because 300,000 acres divided by 100,000 farmers means a shift of only about 3 acres per farm.

Now, the changes planned in the livestock program for 1954. Again this is the number of farmers planning the changes and not the amount of the change.

Anticipated Livestock Program in 1954 Compared to 1953

Livestock	More	Same	Less	No Reply
Dairy cows	41%	45%	6%	8%
Dairy heifers	28	54	5	13
Beef cows	5	7	4	84*
Spring pigs	10	22	4	64 **
Baby chicks	8	41	2	49 **

* Most of these have no beef cows.

** Most of these have no hogs or hens or were still undecided about their plans.

1. Our farmers will be carrying a few more cows. All other regions in the United States are showing an increase too. Pretty good feed supplies, low prices for cull cows, improved position of dairy relative to beef, and the squeeze on profits will encourage dairymen to carry a few more head to try and make ends meet. Indidentally, this will keep some of the dairy beef off the market.
2. Beef cow numbers will not change much.
3. The number of spring pigs farrowed will be up —maybe as much as 10 percent. Feeder pigs this fall have been a good buy in Michigan at about \$10 a head at weaning time.
4. We expect the early hatch take on baby chicks to be up a little — the late hatch to be down a little. Thus, we are telling our farmers that 1954 is a good year to get into the poultry business.
5. There is nothing in the table about feeder cattle. In general, I think our farmers are a little too cautious about buying feeder cattle. I believe that farmers will make out better than they now anticipate.
6. Sheep haven't been mentioned either. Sheep numbers will probably be declining in 1954 instead of increasing. This adds strength to the profit prospects from sheep. It should be remembered though that sheep is an extensive enterprise and numbers should be fairly large to make the flock an economic sized unit.

Another question I asked the farmers was how do you expect your new investments for the next two years to compare with those for the last two years. Here is what they said.

New Investment Intentions for Next 2 Years Compared with Last 2 Years

Item	More	Same	Less	No Reply
New farm machinery	9%	29%	53%	9%
Second hand machinery	10	21	15	54
New farm buildings or major over-haul	20	27	25	28
New residence or remodel job	6	24	15	55

1. New investment expenditures will be down -- especially for new machinery.
2. If a fellow knows what he is getting, there are some really good buys in second-hand machinery.
3. The situation relative to new buildings or even major remodeling jobs is that many of those with money have these things pretty well done -- while many of those without money can't afford to go ahead now.
4. If buildings are added or remodeled, we recommend that major emphasis be put on saving labor -- such as in pen type housing of dairy cows, self feeding, economical feed handling, etc.

As a part of our farm management extension program, we just completed a series of 9 district inter-agency meetings throughout the state requested by Extension, Soil Conservation, Farmer Home, Farm Credit Administration, and Vocational Agricultural and Veteran Instructors. At these meetings and also at our 80 Barnyard Economic Meetings where we will blanket the state this winter the popular title used is, "Balance Your Business to Ease the Squeeze". However, actually the subject matter and recommendations are just good farm management.

Here are some of our recommendations as they apply to Michigan farmers.

1. Many of our farm businesses are too small. We are doing a lot of talking about standards which farmers should strive towards -- especially to get greater accomplishment per man.
 - a. Three hundred and fifty to four hundred and fifty days of productive work per man.
 - b. One hundred acres of crop land per man
 - c. Gross income per man of \$7,000 -- \$11,000
 - d. Twenty to twenty-five dairy cows per man

These standards are intended only to suggest an idea. The actual figures may not apply to your states at all.

2. In our state we are stressing the importance of need before purchasing new machinery.
 - a. Machinery investment per tillable acre should be kept down around \$40 - \$60 per acre.
 - b. If a farmer knows machinery there are some good second-hand buys.
3. We are urging farmers to use more fertilizer but recognize that this probably will not happen generally.
 - a. More fertilizer went onto our wheat per acre this fall but due to the reduced acres we actually got less total fertilizer spread.
 - b. We anticipate that there may be some local shortage of nitrogen this coming spring. Also, on heavier land there is sometimes a problem of getting it on. To meet this we are recommending:
 - (1) Make a firm commitment with a dealer for definite purchase and delivery date and even make a down payment.
 - (2) Pelleted forms store better than conventional types.
 - (3) On heavier soils, apply nitrogen this fall as soon as soil temperatures get down below 55 degrees.
 - (4) Airplane applications may have some limited possibility.
4. There is probably a little less interest now relative to applying lime, buying good seed, improving the breeding stock, testing the cows, etc. but this we believe is an error on the part of farmers.
5. For our young farmers operating on a 50-50 operating agreement we are calling attention to the fact that when they hire labor and buy machinery they pay all. If they buy feed or hire custom work (combining, corn picking, baling, chopping, etc.) the landlord pay one-half. This can mean quite a bit to a young farmer getting started.
6. In general, farmers seem to be more anxious to pay debts than to add to them. While there may be some decrease of credit with established credit sources, we think there is an increase at stores, elevators, hardwares, etc. We do feel that re-financing of short-term debts into long-term debts is a good idea. We continue to feel that good young couples with farm experience can go into debt up to one-half of the value of their assets and make out all right. This is more than most credit agencies will loan.
7. When it comes to buying land we call attention to the down-swing in land values. However, while recommending caution we still recognize that: (a) there are some good buys, (b) a premium can be paid for land close to home and especially needed to round out a present unit and (c) good land is still a better buy than poor land.

8. The insurance programs of our farmers are generally very inadequate. I dare say that 90 percent of our farms need more fire and wind insurance. Our young farmers with families need much more life insurance. Only a few of the farmers still recognize the importance of liability insurance. Most all of them need this.
9. If there is one single item which we try to drive home, it is that farmers are not as bad off economically as they think. Further, unless the world situation changes considerably they had better learn how to operate under conditions similar to the present because it is our guess that such conditions may be around for some time.

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UNITED STATES DEPARTMENT OF AGRICULTURE
Bureau of Agricultural Economics

FEED GRAIN AND LIVESTOCK FARMING IN TRANSITION

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When the outlook for the supply of feed grains and meat animals is viewed the focus obviously is on the Corn Belt and the range country. But many farmers in other areas are in the picture. More farmers and more land in the United States produce corn than any other crop. The combined acreage of the four feed grains and hay exceeds the acreage of all other crops. Of 100 cultivated acres in 1952, 58 were used to grow feed crops for producing livestock products for the human diet.

The demand and prices for feed and livestock likewise gain their strength or weakness from the whole economy. Temporary surpluses or shortages of corn or cattle, for example, may pull prices down or push them up, but the underlying level of feed and livestock prices is determined by the level of general business activity. Favorable prices of U. S. livestock products, and thereby of feed grains, depend chiefly therefore on national prosperity. Exports are an important factor in the prices of wheat, cotton, tobacco and some other crops.

Feed grains and livestock, however, are not beyond the reach of the depressing effects of unfavorable foreign markets for exportable farm products. Dropping off of exports has impacts on other products on the production side. The recent decline in export markets for wheat and cotton are reflected in the wheat program already under way and the cotton program in prospect that are designed to divert several million acres out of these two crops in 1954. These programs have important implications concerning future production of feed crops and livestock because many farmers who will divert land from wheat and cotton will grow more acres of feed crops which eventually will be used to produce more livestock products, unless additional restrictive measures are imposed.

The Current Situation

On the production side, farmers are turning out a high level of output of both feed grains and meat. The total production of meat (beef and veal, lamb and mutton, and pork) in 1953 is likely to exceed 24 billion pounds, which would be 4 percent greater than in 1952 and a peacetime record. Cattle marketings are up sharply from last year. And even though production of feed grains--corn, oats, barley and sorghums--this year will be slightly below last year, carry-over stocks of the four grains are accumulating. Present indications are that a year from now they will be close to the October 1950 record level of 30.6 million tons.

On the market side, there are signs that the increases in both domestic and foreign demand growing out of the Korean conflict and other emergency stimulants are now beginning to level off. Even with a high level of domestic demand for farm products, increased marketings, especially of cattle, have caused a decline in prices of farm products, which in September averaged about 11 percent below a year ago. The decline in prices has more than offset a larger volume of marketings this year.

Even before prices received by farmers began to sag under pressure of larger marketings, net farm incomes were reflecting the squeeze of rapidly mounting prices for production items. Farm income, adjusted for changes in prices paid in order to measure farm purchasing power, reached its peak in 1947. It has decreased moderately since for most types of farming. The reductions have been substantial on many grain and livestock farms.

Thus recent events and available outlook analyses indicate that practically all types of farming are in the midst of a transition period. Farmers recognize the mounting pressure to shift their production from meeting war and reconstruction emergency requirements to producing chiefly for peacetime markets.

It may help to understand the importance of this transition on grain and livestock farms and ranches if we examine briefly the situation for individual products.

Feed Grains

Producers of feed grains are in about the same situation now as they were in the fall of 1949.

In 1948 they had harvested the largest corn crop of record. On October 1, 1949 the total supply of feed grains available for the next 12 months was over 150 million tons, the supply of corn was about 4 billion bushels, and the carry-over stocks of corn were over 800 million bushels. Farm prices of corn were substantially below the support level. Acreage allotments for wheat and cotton were announced or impending for the following year, and it appeared likely that considerable acreage diverted from these crops would be planted to corn and other feed grains. Prospects were that in the following year the carry-over stocks of corn would increase to a record high of about 1 billion bushels unless farmers in the commercial corn area made some downward adjustments in the acreage of corn.

In 1950 corn acreage allotments were applied in the commercial corn area that called for a reduction of about 20 percent from the 1949 acreage. Farmers in the commercial corn area reduced their plantings about 5 million acres, 10 percent, but those outside the commercial area increased their acreage about 1.1 million acres, with the net result that production of corn was cut about 180 million bushels in 1950. But increases in the acreage and yield of oats, barley and sorghums both in and outside the commercial corn area resulted in a slightly larger production of feed grains in 1950 than in 1949.

In October 1953 carry-over stocks of corn are again near record levels, with prospects that they will increase to even higher levels in 1954. Greater livestock production in 1950 (about 5 percent above 1949) kept carry-over stocks of feeds from increasing substantially during 1950, whereas livestock production in 1954 is likely to be about 2 percent less than in 1953. Prices of corn now are considerably below the 1953 support of \$1.60 a bushel.

Hogs

The combination of a strong demand for meat, scarcity of beef, and abundant supplies of corn in 1949-51 pushed the annual pig crop up from 84 million head in 1948 to 102 million head in 1951. This rapid expansion coinciding as it did with the poor corn crop in 1951, strengthened the price of corn and lowered the hog-corn price ratio to slightly below average in the fall of 1951. Consequently, in 1952 farmers reversed the upward trend in the pig crop by farrowing 10 percent fewer pigs. At breeding time in the fall of 1952 the hog-corn ratio had dropped to the lowest in 12 years, and farmers cut back the 1953 spring pig crop another 10 percent. The 1953 fall pig crop will be down 5 percent if farmers followed their intentions as reported in June. Additional factors which have discouraged hog producers were the threat of disease, the increasing competition from the larger supply of beef, and the opportunity to obtain loans on their corn, which in many cases appeared more attractive than feeding hogs.

Hog production appears likely to turn upward in 1954, chiefly because of the 25 percent rise in price of hogs since September a year ago. Moreover, present prices of hogs are favorable in relation to prices for cattle. A moderately larger pig crop in 1954 probably could be marketed without pulling the price of hogs below an average relationship to the price of corn, provided consumer purchasing power remains near present levels. A big increase in the marketings of hogs next year, however, would depress prices seriously as the slaughter of cattle is likely to continue about as large as in 1954.

Beef Cattle.

From 1945 to 1949 cattle producers reduced the size of their herds about 10 percent in anticipation of a postwar decline in prices. The greatly increased demand for meat in 1950 therefore caught them at the low point of a cattle cycle. The ensuing rush to rebuild herds accentuated the shortages in slaughter, particularly in 1951. Consequently, prices of beef cattle rose sharply. The United States average price received by farmers for all cattle in 1951 was \$28.70 per hundred pounds compared with \$19.80 in 1949. But with the beginning of increased marketings from the larger herds in 1952, prices of cattle began to decline, and with much heavier marketings in 1953 they broke sharply, even though the demand for meat continued strong. Present prices, although below parity for beef cattle, are still higher than in any year before 1947. They are above an average relationship with all farm prices as measured on a 1910-14 base.

Slaughter of cattle and calves rose from 26 million head in 1951 to 28 million in 1952 and to an indicated 36 million this year. The output of beef this year is forecast at more than 12 billion pounds, which is almost 2 billion above the previous high in 1947. Beef consumption will be at least 75 pounds per person and will break the previous record set in 1909.

The indicated slaughter of cattle and calves this year is about as many as the number of calves raised less average death losses. Apparently, therefore, we may expect little, if any, addition to herds for 1954.

Sheep

The almost steady decline in the number of sheep and lambs on farms that began in 1942 continues in 1953. So far this year, sheep and lamb slaughter is about 16 percent above last year. Most of the reduction in numbers will occur again in the Southern Plains. The slight increases that have been underway in most other States since 1950 probably will continue.

Prices of lambs have decreased considerably since late in 1952, but they have been in a higher relation to cattle prices in 1953 than for several years.

Prospects for the Next Few Years

Are producers of feed grains and meat animals back where they were in the fall of 1949? Are they again likely to be producing in excess of prospective markets during the next few years? There are many similarities in the outlook then and now, but there are also important differences.

The overriding similarity is that, barring a worsening of international affairs, farmers are again facing a transition to peacetime markets. For the first time since 1950, activities in the civilian sectors of the economy appear likely to be the key to expansion in consumer purchasing power during the next few years. The Government is reaching a plateau in defense build-up, with indications of small cutbacks through economies in expenditures.

A specific similarity, previously noted in the discussion of the current situation, is the accumulation of stocks of several products, which under present legislation require programs for wheat and cotton in 1954 that are designed to obtain downward adjustment in the acreage of these crops. Acreage allotments for corn are under consideration.

A notable difference is in the number of cattle and calves on farms and ranches. On January 1, 1950 cattle numbers had just passed the bottom of a cycle. On January 1, 1954 they will have been moving upward for four years in a new cycle, and the number will be greater by about 16 million head. This difference could be a favorable one in balancing agricultural production in the years ahead if purchasing power remains fairly high.

Another difference which is definitely unfavorable in the present outlook concerns the relationship between prices received and prices paid by farmers. In September 1949 the index of prices received was 247, prices paid (including interest, taxes, and wage rates) was 249, and the parity ratio was 99. At the same time this year the index of prices received was 256, prices paid 277, and the parity ratio 92. In other words, whereas prices received now are 9 points higher, prices paid are 28 points higher. Prices received fluctuate with variations in supplies and market demands unless cushioned by price supporting measures. On the other hand, when prices paid go up they have a habit of staying up. The cost-price squeeze, therefore, seems likely to remain considerably tighter for some time. Land values and all farm investments are higher, and farmers have larger debts.

But there is a very important favorable factor in the present outlook. Domestic business activity seems to be holding the high plateau reached in the first half of 1953. Industrial production in the aggregate is at the practicable ceiling, as the ceiling is set primarily by the labor supply. Unemployment is below normal and overtime work is common. Consumer purchasing power and buying do not show widespread signs of faltering. The recent declines in prices of farm products are chiefly attributable to upward fluctuations in the volume of marketings or to loss of export markets.

Even though the economy should drop somewhat below top levels part of the time a period of expanding business and relatively stable prices is likely to follow in which production would move upward with the increase in population and employable workers.

By 1960 we are likely to have over 16 million more people in the United States than in 1953, an increase of over 10 percent. If consumer purchasing power per person holds near present levels, the total domestic market for food should be expanding over the next few years. In addition, per capita consumption of food, especially meat, may continue its upward trend. Food consumption per person is about 13 percent higher now than before the war (1935-39).

If employment and purchasing power are maintained at fairly high levels, do producers of feed grains and livestock have excess capacity in the sense that they cannot prosper under the likely market conditions during the next 5 or 6 years, providing (1) they make adjustments to achieve a better balance in the output of different kinds of feed and classes of livestock, and (2) they adopt cost reducing practices in their farming operations? If they now have excess productive capacity in relation to market outlets, is the situation somewhat temporary or is it likely to be persistent as it was between the two World Wars?

Adjustments in Production

Suppose we look ahead to 1960 at the balance in production of meat animals and feed crops that may be needed to supply consumers' demand at approximately the 1953 level of prices. We suggest looking 5 or 6 years ahead because farmers would need a few years to make some of the adjustments in

crop and livestock production that would be needed. Crop and livestock adjustments started in 1954 would not become fully effective for several years.

If employment is high by 1960, per capita consumption of meat might be about 148 pounds. This would be 4 pounds above 1952 but 5 pounds under 1947 and 3 pounds under that indicated for 1953. A normal distribution of this total of 148 pounds would be: Beef and veal, 77 pounds; pork, 67 pounds; and lamb and mutton, 4 pounds. Seventy-seven pounds of beef and veal would be about 7 pounds under this year and 67 pounds of pork would be 4 pounds above a 15-year low of 63 pounds in 1953. For a population of 176 million by 1960, and assuming the per capita consumption projected above, 13.7 billion pounds of beef and veal, 12.2 billion pounds of pork, and 0.7 billion pounds of lamb and mutton would be needed to supply the domestic market, plus small exports.

Numbers of cattle and sheep on farms and the annual pig crops would need to increase above present levels to provide this large output of meat. The number of cattle and calves on farms might need to be increased 5 or 6 percent because average slaughter weight per head would likely drop somewhat from the record levels of the last four years when an unusually large proportion of cattle were marketed from feedlots. The number of sheep and lambs would need to be increased about 10 percent. The size of the annual pig crop would need to return to about the 1951 level of 102 million head.

Now let us look at what these projected numbers of livestock might mean in terms of feed production by 1960. First, it would mean that several million more acres of hay and pasture would be needed to support the larger herds of beef cattle and sheep. If, for instance, a major part of the increase in cattle and sheep were to take place in the areas where land is likely to be diverted from wheat and cotton, as much as 15 to 20 million additional acres of hay and pasture would be needed. If a shift to grassland of this magnitude were made it would tend to balance production of wheat and cotton with available markets. Second, it means that the annual quantity of feed grains used for feeding hogs would be 6 or 7 million tons more than will be used this year, and the total annual domestic disappearance of feed grains would be about the same as the production in 1953. Exports of feed grains in recent years have averaged about 4.5 million tons.

Thus, if consumer purchasing power can be maintained (or regained after a brief relapse) it does not appear likely that feed-livestock producers are confronted with chronic excess productive capacity. At least the situation should be manageable within a framework of the kind and extent of adjustments that many individual farmers will need to make during the next few years to hold down operating costs and to maintain or improve their soils and other productive resources.

Getting Started on Balanced Production

A program of acreage allotments for the 1954 corn crop in the commercial corn area may be necessary under present legislation. If a program is set

up, and participation comparable to that in 1950 is obtained, it is still unlikely that production of feed grains in 1954 for the country as a whole would differ substantially from that of 1953, assuming average yields next year. It should, however, help to offset the expected additional production of feed grains on land that will be diverted from wheat and cotton. Many farmers who will divert land from program crops will have few other alternatives than feed crops and idle or fallow land in 1954. It takes time to plan and carry out seeding of legumes and grasses and building livestock herds to use additional forage crops. But a beginning on longer time desirable shifts can be made in 1954 by seeding more acres of grasses and legumes next spring.

Looking beyond next year, if more of the producers of feed grains who operate farms on which erosion prevention and soil improvement is a problem should plan and carry out improved crop rotations and crop production practices such as the use of fertilizer on their hay and pasture land, they would in a few years have a system of farming that would provide larger incomes for themselves, and at the same time they would contribute to a better balance in total output of feed and livestock products.

Throughout the Corn Belt, especially in the more rolling parts, thousands of neglected and badly run down farms dot the country side in areas of high-priced and potentially fertile land. Rehabilitation of these neglected farms through a program of erosion control, fertilization, and livestock farming, would reduce feed grain acreage and production during the 3- or 4-year transition period because the foundation of an erosion control and soil improvement program is a crop rotation that balances grain crops with grasses and legumes and a livestock system that includes roughage-consuming animals for profitable use of the protective forage crops. But as the improved practices become reflected in higher yields and more efficient operations total production and returns from the farm would be higher than under the present exploitive system of farming.

In contemplating such shifts in crop and livestock production, it should be borne in mind that the larger outputs would not come to market immediately. It takes 2 or 3 years to get a good pasture established. And a reliable feed supply must come ahead of more livestock. Therefore, most of the increase in cattle marketings from farms on which herds would be expanded would not take place for 4 to 5 years. By that time the demand for meat may be higher than it is today, providing that business activity and employment remain at high levels.

Comparison of the production and income from two groups of farms in northwestern Illinois that are alike in type of soil, but differ in the proportion of cropland in grass-legume crops, indicates some of the opportunities for profitable adjustment in Corn Belt systems of farming (table 1). The group of 26 farmers who consistently kept 20 to 29 percent of their cropland in legumes from 1943 through 1949 obtained higher yields of grain crops, greater total production of feed units, and higher earnings than another group of 31 who kept less than 20 percent of their cropland in legumes.

Table 1.- Crop yields, production, and returns for farms that were operated under two different systems of land use and two different amounts of live-stock under each land-use program, 1947-49

Item	: Less than 20 percent : : of cropland in legumes :		: 20-29 percent of : cropland in legumes :	
	Fed less	Fed more	Fed less	Fed more
	than \$30	than \$30	than \$45	than \$45
	feed per	feed per	feed per	feed per
	acre	acre	acre	acre
	1943-45	1943-45	1943-45	1943-45
Number of farms	16	15	13	13
Average soil rating	1.8	2.2	2.0	2.1
Tillable acres per farm	281	271	206	209
Feed fed per tillable acre	\$17.96	\$95.68	\$49.75	\$102.58
Percent tillable land in:				
Corn and soybeans	59	57	47	50
Small grains	29	27	28	25
Hay and pasture	12	15	25	25
Catch crop legumes	(10)	(7)	(4)	(1)
Crop yields:				
Corn, bushel per acre	64	67	74	76
Oats, bushel per acre	52	60	62	63
Production per tillable acre:				
All grains, pounds	2,442	2,575	2,455	2,567
Hay and pasture, pounds	371	651	901	933
Grain equivalent, pounds	2,683	2,998	3,041	3,173
Rate earned on investment, Percent	18.64	20.08	19.37	22.89
Net earnings per tillable acre	\$48.56	\$67.71	\$60.00	\$73.62

Source: Illinois Farm Economics, October-November 1950.

The shift in the direction of grassland farming and more livestock cannot be made profitably with the haphazard practices that many farmers traditionally have used in growing and harvesting their hay and pasture crops. Those who have done or will do the job successfully use the best adapted seeding mixtures, apply lime and fertilizer where needed, use harvesting methods which conserve the quality of the hay and hold down costs of getting it into storage. They also fully utilize their hay and pasture crops with the bright kind of livestock.

The change-over takes considerable new capital, and some loss of income is difficult to avoid during the transition period. Many farmers would make the shift therefore would need assistance in the form of credit adjusted to their needs. Conservation payments also would facilitate the shift.

Cost Control Essential

Advancements in mechanization and other improved techniques are avenues for reducing costs. In a transition period such as the one that may be immediately ahead, it is, of course, preferable to seek out the cost-reducing opportunities that would not increase total output significantly. Getting along with less hired labor and substituting cheaper sources of inputs such as low-cost shelter for livestock are examples. But, in general, the opportunities for reducing costs through a greater total output without a corresponding increase in total cost are greater than by lowering total costs for the same total output.

The control of costs thus depends chiefly upon the relationships of responses in output to additional variable inputs in the form of machinery, fertilizer, improved seeds, etc. Additional machinery costs, for example, that assure high yields and save labor, increase profits. But if land, labor and management resources are such that a high level of output cannot be attained even with extra costs, then economizing in machinery and power costs and other operating expenses is in order when prices for production items are relatively higher than prices received for farm products.

All farmers will have to watch more closely for the break-even points in the use of all variable costs in all parts of their farm business. It now appears unlikely that they will need to retrench sharply in most improved techniques, such as use of fertilizer, balanced livestock rations, and pest and disease control programs. But rising hired labor and equipment costs may make some rearrangement of the system of farming necessary so as to economize on these large items of cost.

Adjustments Differ By Type of Farm

Livestock Ranches

Cattle ranchers have been hit hard by the declining prices they have received for calves and yearlings in the last two years. Severe drought in the Southern Plains has increased operating expenses for feed and has forced heavy selling of breeding stock at distressed prices from some areas. Additional investments in equipment and greater dependence on hired labor on many ranches while business was expanding, together with rising prices for labor and materials have further reduced net incomes.

As cattle numbers level off, the supply of beef will tend to stabilize. This suggests that cattle prices may steady and after some hesitation trend upward slowly, providing demand for beef continues strong. Producers therefore should plan to keep their herds of good producing cows intact where the supply of feed is adequate or can be increased by improvement of grazing and hay lands. It may be necessary, however, in many cases to save as much as possible on hired labor, and to curtail the recent upward trend in investment in new equipment.

Sheep ranchers are in about the same position as cattle ranchers, except that they may find it more difficult to cut back on hired labor expenditures. Many ranchers, however, could more fully utilize the services of the herder by running larger flocks and thus lower unit costs of output of lambs and wool.

Hog-Beef Fattening Farms

A typical 200-acre hog-beef fattening farm in the Corn Belt has about 70 acres of corn, 40 acres of oats, 24 acres each of hay and rotation pasture, and 25 acres of nontillable pasture. The feed crops produced on the farm are fed to about 130 hogs, 40 feeder steers or calves, 6 cows and about the same number of young stock, and 125 hens.

Operators of this type of farm who reduce their acreage of corn in 1954 would probably choose oats as the chief use of the land diverted from corn. Soybeans are not an important crop in the areas where cattle feeding is concentrated. Moreover, substitution of oats for corn would help to maintain the production of feed grains on farms on which all of the output usually is fed.

Those who plan to shift into better long-time systems of farming during the next few years probably would find that a 5-year rotation of corn, corn, oats, hay, and pasture, supplemented with contour cultivation on rolling land, would be needed as the foundation of a soil improvement program. This cropping system would reduce the acreage of corn about 10 percent. But use of fertilizer where needed and improved practices in the production of hay and pasture would in a few years bring total feed production up to present or higher levels. The additional hay and pasture from the increased acreage and the higher yields per acre probably would be used more generally for summer fattening of cattle on pasture with grain at the end of the feeding season. Either more cattle could be fed or the number of cows and stock cattle could be increased. The production of hogs probably would be cut back temporarily, but as the benefits of the soil improvement program become reflected in the yield per acre of grain crops the total production of these crops on the farm would be about the same as before the reduction in acreage.

Hog-Beef Raising Farms

The usual size of hog-beef raising farms in the Corn Belt is a little larger than hog-beef fattening farms. But only about half of the land is under cultivation on the beef raising farm as compared to 80 percent on the beef fattening farm. The acreage of corn and oats is each about half as large, and soybeans and hay are more important crops. The production of hogs likewise is about half as large.

Most farmers on this type of farm probably would not be especially influenced by a corn program in 1954. They feed all of the corn produced and would not likely be interested in a loan on part of the crop. Those who would shift some land from corn to other crops probably would choose oats, soybeans, or hay and pasture.

The longer-time adjustment problem on most farms of this type does not ordinarily involve much change in the crop rotation, except to shorten it so that grasses and legumes are reseeded at shorter intervals. Then corn would not be planted on the same land for two or more years in succession. This would mean some increase in the acreage of oats on some farms to provide a nurse crop for the more frequent seeding of grass.

The chief problem is better fertilization and crop and pasture management practices to increase productivity, especially of the large acreages of hay and pasture. The efficiency of operation of the beef cattle enterprise on many of these farms could be increased considerably by improved grassland farming.

Cash-Grain Farms.

The typical cash-grain farm in the Corn Belt is about 240 acres. About 90 percent of the land is cropland of which only about 16 percent is used for hay and pasture. The rest of the cropland is divided about equally between corn and a combination of soybeans and small grains. Ten to 15 head of cattle are kept, of which 3 or 4 are dual-purpose cows. Usually about 5 litters of pigs are raised. A few cash-grain farmers fatten cattle in drylots.

A majority of cash-grain farmers would participate in a corn program in 1954 in order to get the benefits of a corn loan. The land diverted from corn (and wheat under the wheat program) probably would be divided between soybeans and oats, with more increase in soybeans than oats.

Many cash-grain farmers who have rolling land or impermeable soils would develop a more profitable system of farming in a few years if they substituted grasses and legumes for a part of their corn acreage and stepped up their use of fertilizer and other improved soil and crop management practices (table 2).

after a few years the reduction in the production of corn would not be proportional to the reduction in corn acreage. And the total production of grain and forage in terms of feed units would be greater. If livestock were added to consume the additional forage, net farm income would be higher than for the more strictly cash-grain system of farming. If the operator wants to add livestock primarily to use the additional forage, he would likely choose yearling steers which would be wintered chiefly on hay, pastured during the early summer and finished for market on grain in a drylot. If instead the beef cow herd were increased to use the additional forage, the size of the hog enterprise would also likely need to be increased to maintain volume of business and full utilization of the labor force on the farm.

Table 2.- Production, investment and income adjustments during transition period of changing to soil conserving system of farming on a 160-acre Iowa farm on Marshall silt loam (1945 price and cost levels)

Item	Under present farming system	After adoption of proposed farming system						Long-run average
		First year	Second year	Third year	Fourth year	Fifth year		
Land use								
Corn	75	59	57	55	58	60		58
Oats	31	51	24	34	29	26		29
Meadow	35	31	64	56	58	59		58
Perm pasture	12	12	8	8	8	8		8
Crop production								
Corn (bu.)	3,825	3,310	3,558	3,394	3,700	3,954		3,944
Oats (bu.)	1,054	1,907	918	1,397	1,274	1,118		1,247
Hay equivalent (tons)	69	62	116	110	141	161		160
Investment in-								
Roughage consuming livestock	\$ 784	\$ 784	\$1,274	\$1,274	\$1,568	\$1,862		\$1,862
Fencing	-	-	173	202	190	132		-
Cost of installations								
Terraces	-	-	158	263	53	-		24
Waterways	-	-	48	35	66	-		-
Increase or decrease in income from present farming system	-	-387	-242	-122	-469	7804		71,039

Source: Returns from and Capital Required for Soil Conservation Farming Systems, Iowa Agric. Expt. Sta. Res. Bul. 381.

Beef Animals: Percentage distribution of number on farms January 1, in the United States,
by regions, averages 1920-49, annual 1949-53

Period	Northern: Southern:			Mountain: Pacific:			Corn : Lake : Appala-: South-:			Miss.: North-:		
	Plains :	Plains :	Plains :	3/ :	4/ :	4/ :	Belt :	States:	chian :	east :	Delta :	east :
	1/ :	2/ :	2/ :	3/ :	4/ :	4/ :	5/ :	6/ :	7/ :	8/ :	9/ :	10/ :
	Percent	Percent	Percent	Percent	Percent	Percent	Percent	Percent	Percent	Percent	Percent	Percent
Average	17.2	20.4	20.2	5.4	17.6	4.2	5.0	4.6	3.8	1.6	63.2	36.8
1920-24	18.9	20.0	20.3	6.0	16.8	4.0	4.7	4.3	3.7	1.3	65.2	34.8
1925-29	20.3	20.7	19.3	5.5	16.2	4.1	4.5	4.0	4.1	1.3	65.8	34.2
1930-34	16.5	20.4	18.5	6.6	17.9	4.4	5.0	4.6	4.7	1.4	66.0	38.0
1935-39	17.7	19.4	17.4	6.2	19.4	4.7	4.9	4.5	4.7	1.1	60.7	39.3
1940-44	20.0	19.4	17.4	6.1	17.5	4.0	4.9	4.9	4.8	1.0	62.9	37.1
1945-49	20.1	18.8	18.0	6.3	17.4	3.8	4.9	4.7	4.4	1.0	63.8	36.2
1949	20.0	19.0	17.1	6.0	18.2	3.8	5.1	5.1	4.7	1.0	62.1	37.9
1950	19.7	19.2	16.8	6.1	18.1	3.8	5.3	5.3	4.8	.9	61.8	38.2
1951	20.3	18.0	16.4	6.3	18.4	3.9	5.3	5.5	4.9	1.0	61.0	39.0
1952	20.1	16.8	15.9	6.1	19.5	4.0	5.5	5.8	5.3	1.0	58.9	41.1
1953												

- 1/ N. Dak., S. Dak., Nebr., and Kan.
- 2/ Tex., and Okla.
- 3/ Mont., Wyo., Colo., Ariz., N. Mex., Utah, Idaho, and Nev.
- 4/ Wash., Ore., and Calif.
- 5/ Ohio, Ind., Ill., Mo., and Iowa
- 6/ Mich., Wis., and Minn.
- 7/ Tenn., Ky., N.C., Va., W. Va., Md., and Del.
- 8/ Ala., Ga., Fla., and S. C.
- 9/ Ark., La., and Miss.
- 10/ Pa., N. Y., N. J., and New England.

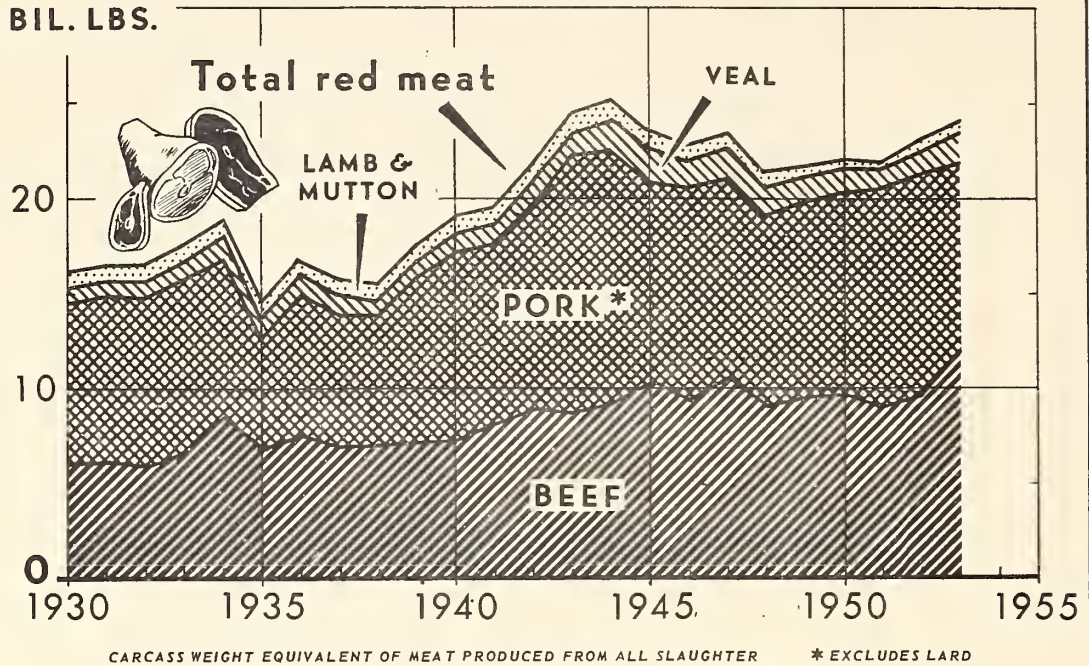
Beef Animals: Numbers on farms January 1, in the United States, and
by groups of States, averages 1920-49, annual 1949-53

Period	17 Western States	5 Corn Belt States	Southern and Appalachian States	Lake States and Northeastern States	United States
	Number: of 1935-39:	Number: of 1935-39:	Number: of 1935-39:	Number: of 1935-39:	Number: of 1935-39:
	1,000 head	1,000 head	1,000 head	1,000 head	1,000 head
	Percent	Percent	Percent	Percent	Percent
Average					
1920-24	123	119	113	122	121
1925-29	95	85	81	83	91
1930-34	106	91	88	93	100
1935-39	100	100	100	100	100
1940-44	118	130	119	120	120
1945-49	138	134	138	117	136
1949	136	129	130	110	132
1950	136	138	141	113	135
1951	147	150	159	121	148
1952	164	171	182	141	166
1953	172	198	209	158	181

Hogs: Percentage distribution of live weight production in the United States,
by regions, averages 1925-49, annual 1948-52

Period	Corn Belt	Lake States	Northern Plains	Southern Plains	Mountain States	Pacific States	Appala- chian	Miss. Delta	Southeast	Northeast
	Percent	Percent	Percent	Percent	Percent	Percent	Percent	Percent	Percent	Percent
Average										
1925-29	46.6	12.1	19.1	4.0	2.1	1.5	6.3	2.4	3.6	2.3
1930-34	47.8	11.5	18.4	4.3	2.0	1.5	6.3	2.6	3.7	1.9
1935-39	48.6	12.7	10.0	4.8	2.0	2.1	8.4	3.9	5.0	2.5
1940-44	49.9	13.1	11.5	4.6	2.3	1.9	7.4	3.0	4.2	2.1
1945-49	52.2	12.0	11.1	3.8	1.7	1.4	7.7	3.1	4.8	2.2
1948	52.6	11.5	10.6	3.9	1.8	1.4	7.5	2.7	4.6	1.7
1949	53.7	12.0	10.6	3.5	1.6	1.4	7.1	2.3	4.6	1.7
1950	54.8	12.2	10.5	3.4	1.4	1.2	7.5	2.7	4.6	1.7
1951	54.9	12.2	11.2	3.4	1.4	1.2	7.1	2.3	4.6	1.7
1952	55.2	12.3	10.5	3.0	1.4	1.1	7.4	2.2	5.0	1.9

MEAT PRODUCTION

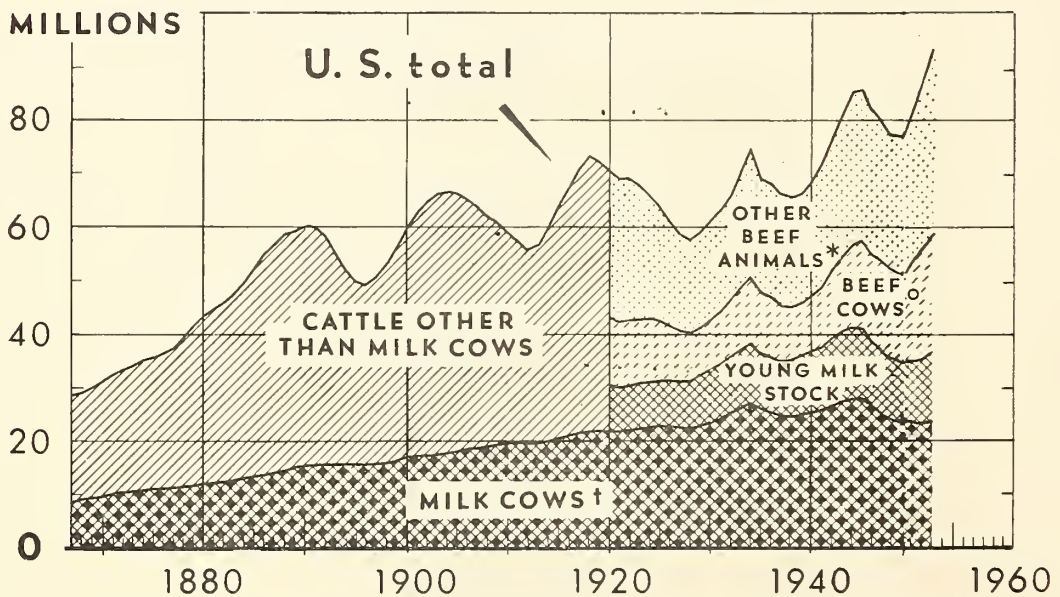


U. S. DEPARTMENT OF AGRICULTURE

NEG. 43312B-XX

BUREAU OF AGRICULTURAL ECONOMICS

CATTLE ON FARMS JAN. 1



* HEIFERS & CALVES NOT FOR MILK, AND ALL STEERS & BULLS † COWS & HEIFERS 2 YRS. & OLDER FOR MILK

DATA FOR 1953 ARE PRELIMINARY

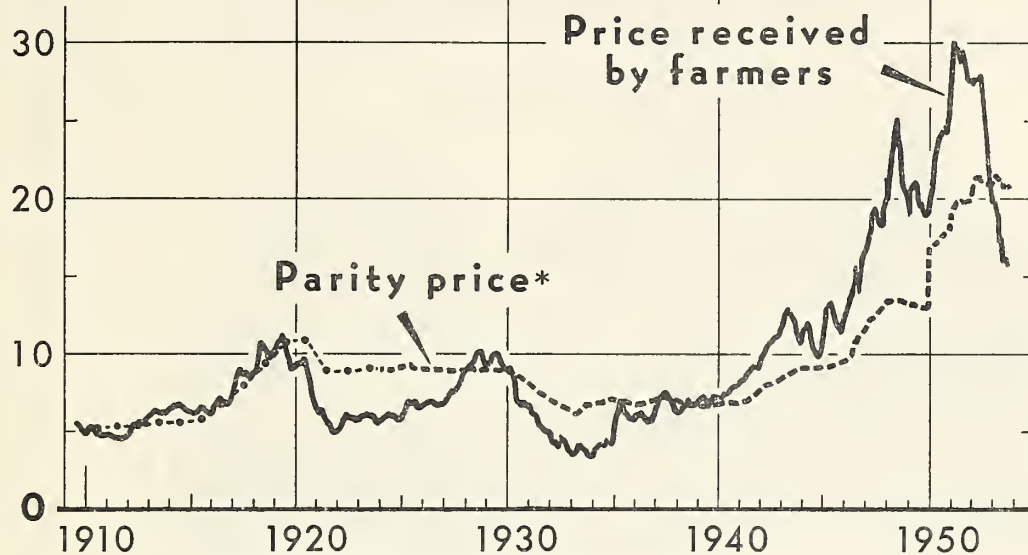
U. S. DEPARTMENT OF AGRICULTURE

NEG. 47147A-XX

BUREAU OF AGRICULTURAL ECONOMICS

BEEF CATTLE PRICES AND PARITY

\$ PER 100 LBS.



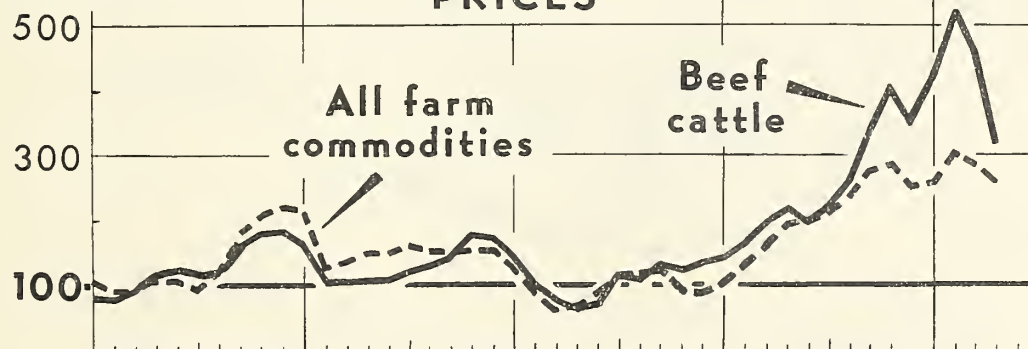
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NEG. 45157-XX BUREAU OF AGRICULTURAL ECONOMICS

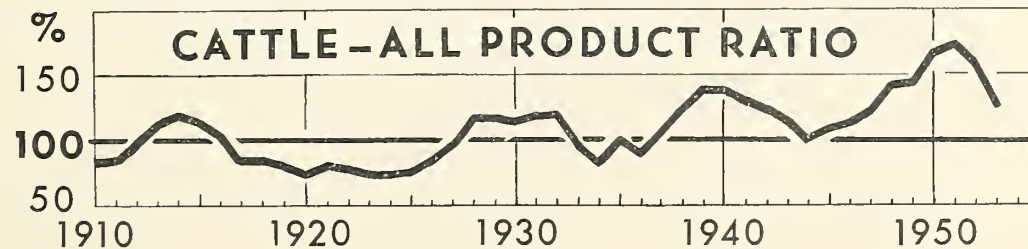
CATTLE AND ALL FARM PRICES

% OF 1910-14

PRICES



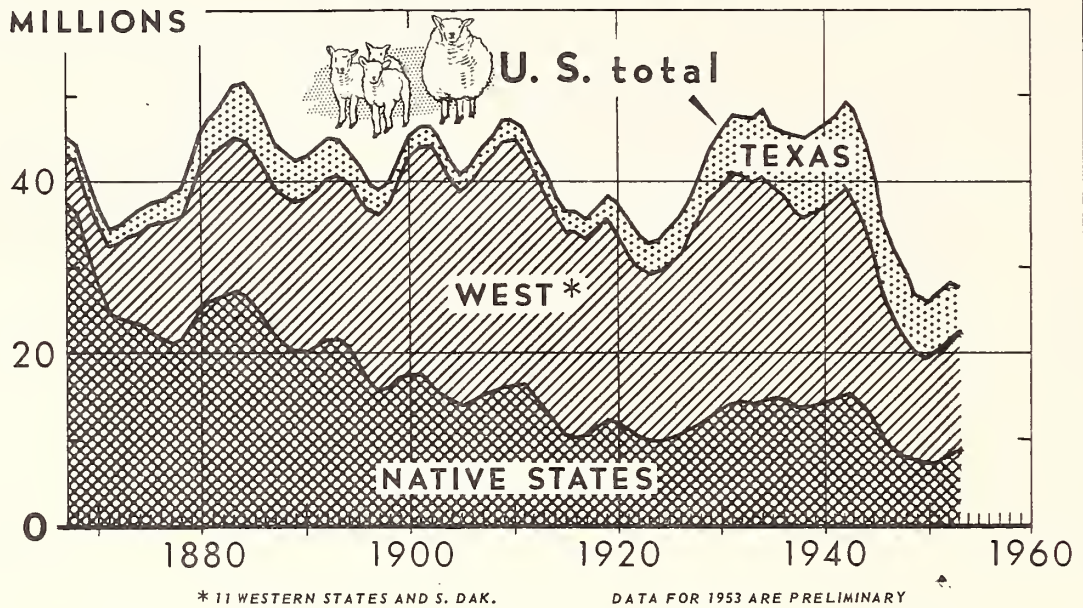
CATTLE-ALL PRODUCT RATIO



U. S. DEPARTMENT OF AGRICULTURE

NEG. 49087-XX BUREAU OF AGRICULTURAL ECONOMICS

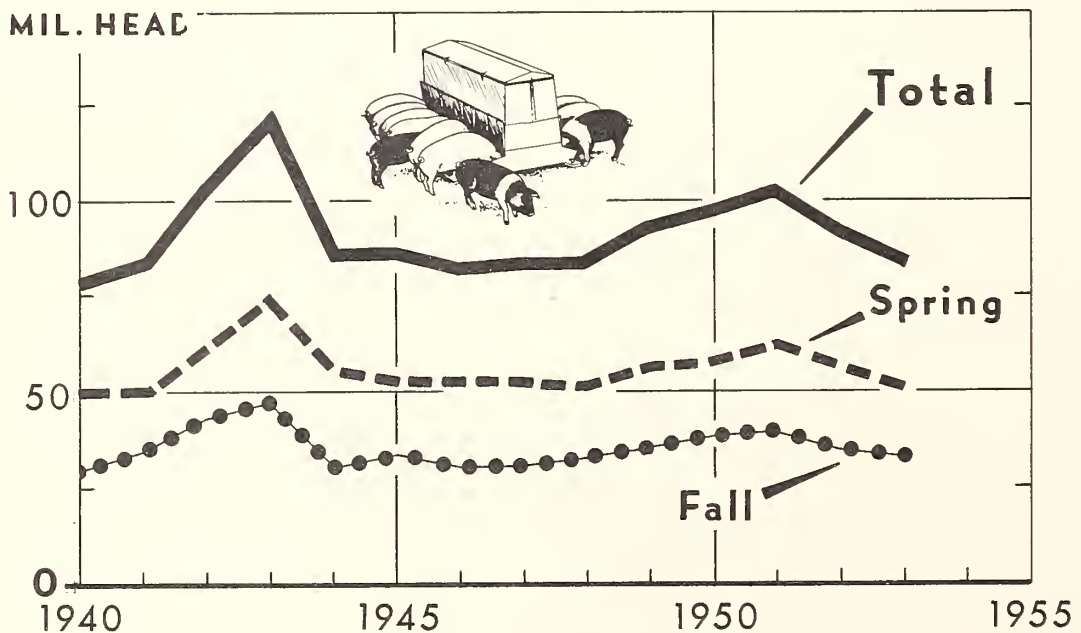
STOCK SHEEP AND LAMBS ON FARMS JAN. 1



U. S. DEPARTMENT OF AGRICULTURE

NEG. 47391-XX BUREAU OF AGRICULTURAL ECONOMICS

U. S. PIG CROPS



1953 FALL PIG CROP AS INDICATED BY JUNE INTENTIONS

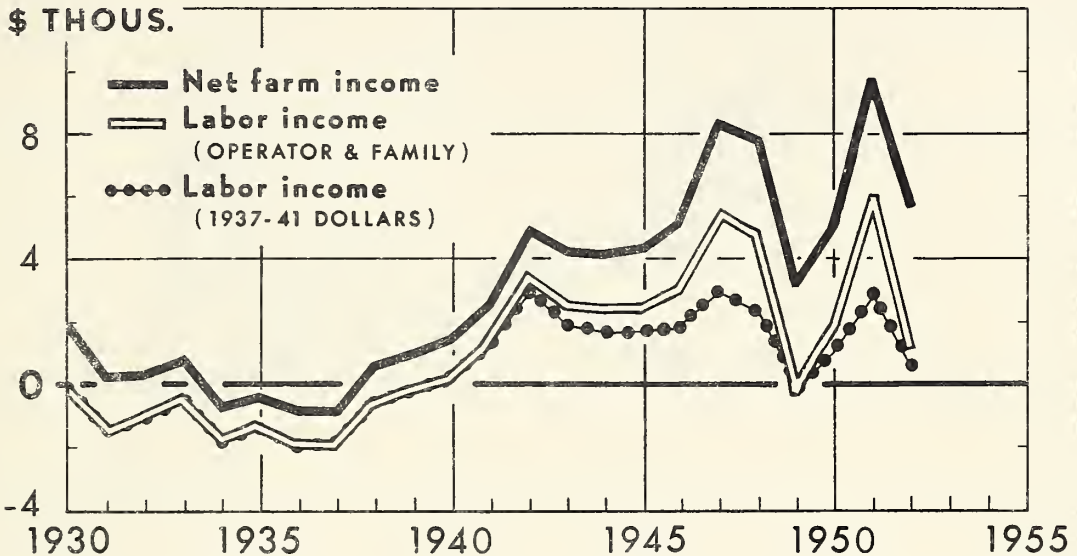
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NEG. 39337A-XX BUREAU OF AGRICULTURAL ECONOMICS

FARM INCOME, LABOR INCOME, AND PURCHASING POWER

Cattle Ranches, Northern Plains

\$ THOUS.



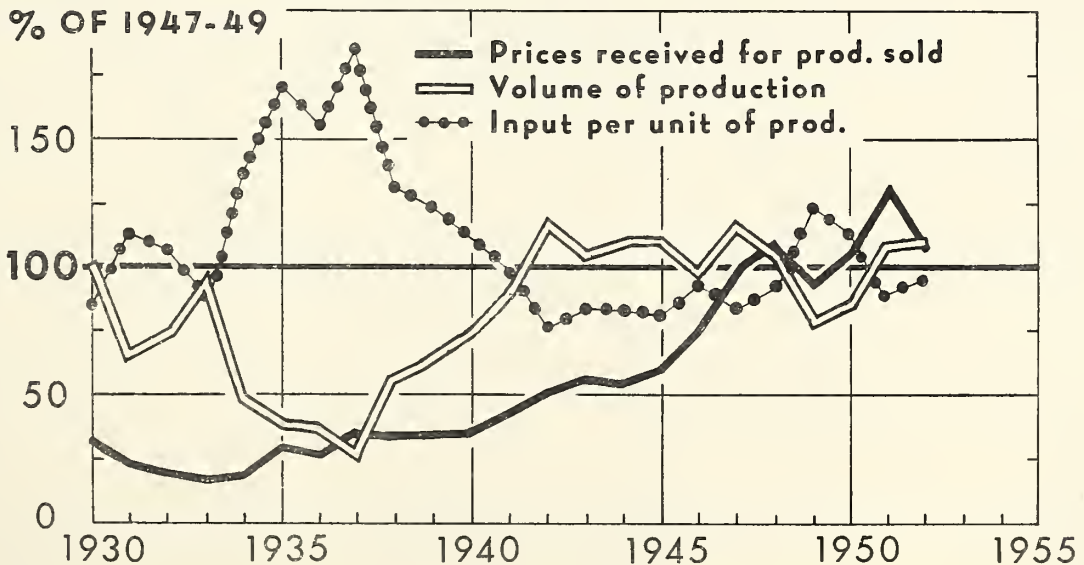
U. S. DEPARTMENT OF AGRICULTURE

NEG 49274-XX BUREAU OF AGRICULTURAL ECONOMICS

PRODUCTION, INPUT PER UNIT OF PRODUCTION, and PRICES RECEIVED

Cattle Ranches, Northern Plains

% OF 1947-49

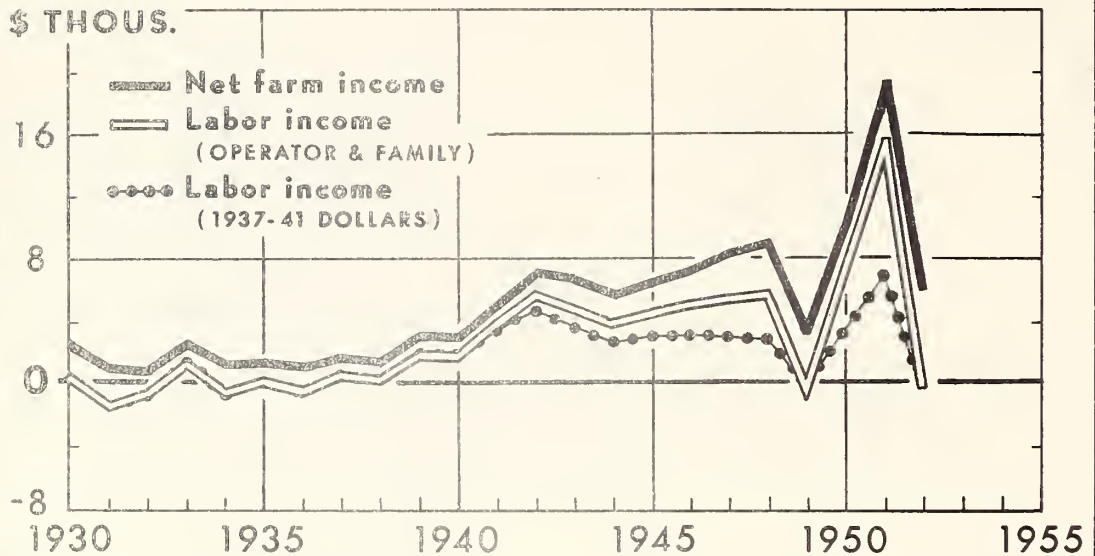


U. S. DEPARTMENT OF AGRICULTURE

NEG. 49275-XX BUREAU OF AGRICULTURAL ECONOMICS

FARM INCOME, LABOR INCOME, AND PURCHASING POWER

Sheep Ranches, Northern Plains

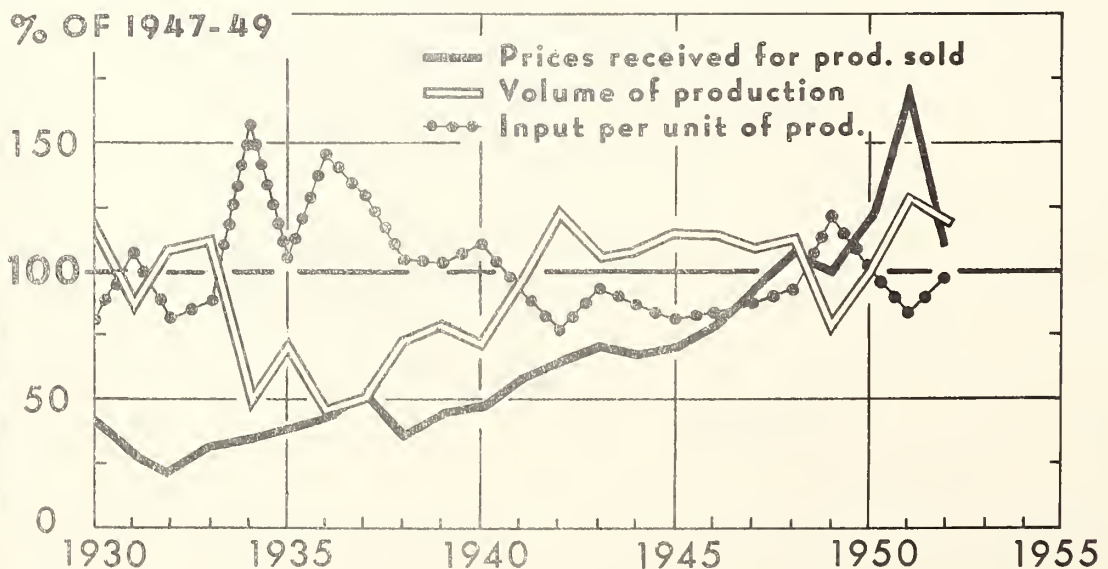


U. S. DEPARTMENT OF AGRICULTURE

NEG 49276-XX BUREAU OF AGRICULTURAL ECONOMICS

PRODUCTION, INPUT PER UNIT OF PRODUCTION, and PRICES RECEIVED

Sheep Ranches, Northern Plains



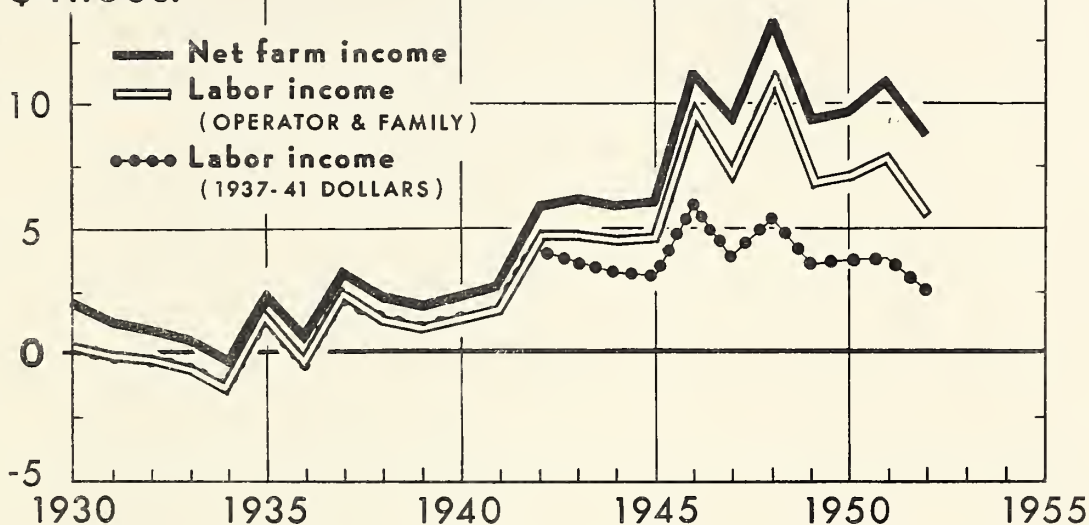
U. S. DEPARTMENT OF AGRICULTURE

NEG. 49277-XX BUREAU OF AGRICULTURAL ECONOMICS

FARM INCOME, LABOR INCOME, AND PURCHASING POWER

Hog-Beef Fattening Farms, Corn Belt

\$ THOUS.



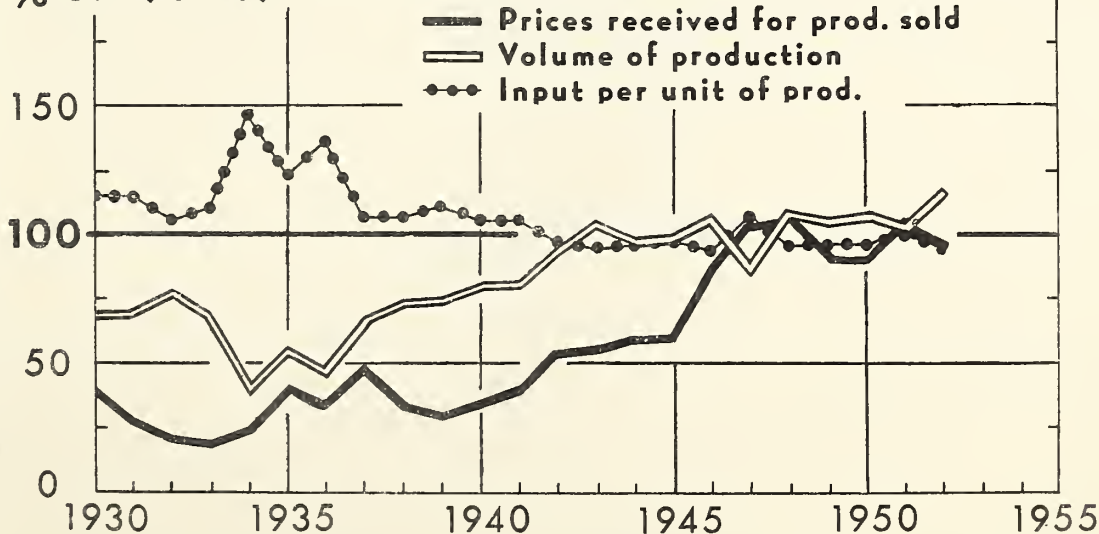
U. S. DEPARTMENT OF AGRICULTURE

NEG. 48410-XX BUREAU OF AGRICULTURAL ECONOMICS

PRODUCTION, INPUT PER UNIT OF PRODUCTION, and PRICES RECEIVED

Hog-Beef Fattening Farms, Corn Belt

% OF 1947-49



U. S. DEPARTMENT OF AGRICULTURE

NEG. 48413-XX BUREAU OF AGRICULTURAL ECONOMICS

$$\underline{121.05}$$

$$\begin{array}{r} 15.00 \\ 106.05 \\ \hline \end{array}$$

$$22.89$$

$$83.16$$

$$\underline{100.00}$$

$$73.16$$

$$31.21$$

$$\underline{41.95}$$

$$37.19$$

$$\underline{4.76}$$

$$12.5$$

$$3.41$$

$$7/10$$

$$\underline{146.6}$$

$$121.05$$

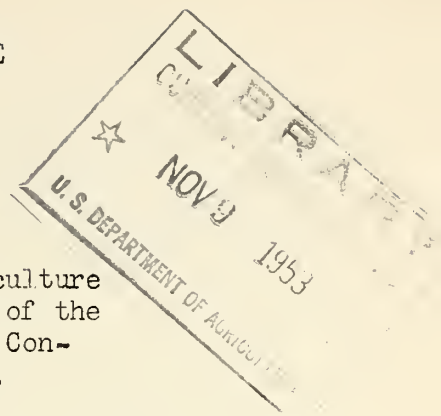
$$135.71$$

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curve

UNITED STATES DEPARTMENT OF AGRICULTURE
Bureau of Agricultural Economics
Washington 25, D. C.

X
Fiscal Policy and Agriculture X

Summary of address on Fiscal Policy and Agriculture
W. Randolph Burgess, Deputy to the Secretary of the
Treasury, at the Annual Agricultural Outlook Con-
ference, Washington, D. C., October 26, 1953.



The main objective of the Treasury Department is to get security for the people of this country. This involves two needs -- military security and economic security.

A principal basis of the second need, economic security, is sound money. If we need any proof of this, look at what happened to certain European countries after World War II.

The economic security of the United States is important to the entire world. The dollar is the anchor of the currencies of the world. Inflation and deflation of the dollar influence all world trade.

Inflation definitely affects the farmer as much as it does other segments of our population. In the early days of inflation farmers may do well, but this does not last. After awhile, farm prices work down while other prices go up. Inflation and deflation are as bad for the farmer as anyone else -- maybe worse.

Again, to achieve economic security, America needs honest and sound money with fluctuation within limits. The present Treasury policy is based on these three pillars of sound money:

1. Budget under control.
2. Federal reserve policy free of political pressure.
3. A sound debt management policy.

To bring the budget under control is a large job. Every possible method of cutting unneeded expenditures must be used.

To achieve a sound debt management policy, we must spread the debt over a number of years and a number of people. This is a sound method of managing the debt.

These things we have talked about today are technical details. The objective we are working toward is human welfare, in which economic security plays a vital part.

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UNITED STATES DEPARTMENT OF AGRICULTURE
Bureau of Agricultural Economics

THE FOOD OUTLOOK

Statement presented by Marguerite C. Burk at the
31st Annual Agricultural Outlook Conference,
Washington, D. C., October 27, 1953

The outlook for food supplies, demand, and retail prices in 1954 is remarkably similar to the general food situation of this year. Food supplies are expected to be large enough for per capita food consumption to continue 12 percent above the 1935-39 average rate, equalling the over-all level of the past two years. Employment and consumer incomes indicated for 1954 appear likely to support another year of strong consumer demand for food and services bought with food. So we cannot foresee any significant change from this year in the general level of retail food prices.

Consider now the supply aspects of the 1954 food outlook. With large numbers of the several types of livestock on farms across the country and record feed supplies, we can expect farmers to respond to the fairly strong demand situation by marketing about as many cattle and calves, as the record this year, and raising 5 to 10 percent more hogs for market next fall, though less in the spring. Output of other major livestock products may go up slightly. At this point, we must remember the large stocks of butter, cheese, and nonfat dry milk solids purchased by the Department under price support and available for sale back into commercial channels for domestic or foreign use. If not sold, probably substantial quantities will continue to move through school lunch and other institutions to civilian consumption.

Supplies for early 1954 of fruits, vegetables, and processed cereal products from 1953 crops are generally good but not in surplus position although the grains, vegetable oils, and raisins are. Stocks of some of the processed foods may run a little low just before new packs move to market, as is the case this fall for some canned and frozen juices.

Let us look now at some of the details of the demand side of our food picture. Although there are some factors which may bring about some easing in economic activity, employment and wage rates probably will continue fairly high and a reduction in income taxes is scheduled for January 1, 1954. Accordingly, consumer purchasing power and spending will be about as large as this year. The proportion of income spent for food and services with food changes quite slowly except when food prices rise precipitantly as they did after the end of wartime controls and following the outbreak of hostilities in Korea. So we may conclude that food expenditures will stay at their record highs. With little change in supplies of the much sought after foods, there appears to be no reason for much change in level of food prices.

But we must not forget those other demands on U. S. food supplies--for export and for use of our Armed Forces. Export demand for food, mostly wheat and rice, may decline further in 1954 because of larger crops in other

countries. Food purchases for our Armed Forces may be reduced, depending on Korean peace negotiations and developments in other parts of the world. These two factors add up to the fact that if food production, plus imports, and carryover stocks into 1954 are as large as in 1953, a slightly larger supply will be available for civilians--enough more to provide for our 3 million increase in population.

Going back to the outlook for retail food prices, we think that seasonally larger supplies of meats, eggs, potatoes, sweetpotatoes, some of the fruits, and, later of citrus items, are likely to bring the food price index down a little. This will bring it below a year earlier during the rest of the fall and early winter, remembering that the impact of the very large meat supplies which came on the market last fall and winter didn't show up in the food price index until about February of this year. Prices of fresh fruits and vegetables, most dairy products, and many other foods probably will approximate those of last fall and early winter. But prices of bread and other bakery products, coffee, rice, shortening, lard, and sugar will be running a little higher, because of increases in processing and other marketing costs for some items and changes in demand and supply relationships for others.

As I have already stated, we expect that retail food prices in 1954 will average close to the 1953 level. There are some upward pressures, particularly on processed foods and fresh foods requiring substantial amounts of marketing services. But with good supplies moving into retail channels and a little less optimistic economic outlook, only seasonal price rises are likely and there may be some tendency for prices to shade downward toward the end of the year. This would depend upon how 1954 crops turn out and also on the general tenor of economic activity and outlook later in the year.

The principal changes in prospect for the next few months as compared with the food situation of last fall and early winter are the larger supplies of fresh fruits, potatoes and sweetpotatoes, and beef and the smaller supplies of processed fruits and juices, fishery products, and pork. Supplies of turkey for the holiday season will be smaller than total supplies a year earlier. But last year a fairly large quantity--25 million pounds or so--was sold to the Department. Accordingly, we may conclude that we will be able to eat almost as much turkey as we did in November and December 1952. To go with our turkey we'll have more cranberries, apples, and sweetpotatoes, fewer walnuts and filberts, but lots of pecans and almonds. In the early months of the year supplies of lard, pork, and some fishery products may be noticeably reduced from those of recent years. In 1954 we may expect increased consumption per person of margarine, shortening, frozen fruits, juices, and vegetables, sweetpotatoes, chicken, and perhaps some of the dairy products (if their prices are adjusted downward).

This represents the highlights of the 1954 Outlook issue
of the National Food Situation for October 1953, a pro-
cessed publication by the Bureau of Agricultural Economics.

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UNITED STATES DEPARTMENT OF AGRICULTURE
Bureau of Agricultural Economics

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U.S. DEPARTMENT OF AGRICULTURE

FOREIGN MARKETS FOR AMERICAN COTTON

Statement presented by
Arthur W. Palmer, Head, Cotton Division,
Foreign Agricultural Service, at the
31st Annual Agricultural Outlook Conference,
Washington, D. C., October 28, 1953

One approaches this task with more than usual humility. Our anticipations in the last meeting did not work out very well. A year ago we were moderately hopeful; that is to say while we expected, because of the accumulations of stock in other exporting countries, that our exports would fall off from the 5.5 million bales of 1951-52, we thought the decline would not be more than about a million bales. We predicated this tempered optimism on the facts that prices in other producing countries were then generally higher than ours, that over the world the textile industry was emerging from its year-long private recession following the speculative miscalculations of 1950-51, and that the congested inventories of goods accumulated in that year were well on the way to being absorbed. Moreover, the dollar position of our raw cotton customers was showing measurable improvement. Based on what we were privileged to know of the cotton-buying programs of importing countries, our expectations seemed conservative enough.

What we did not allow for was a general failure of confidence in the price level. As our own crop prospect improved, it emphasized that world production was again overrunning consumption by a good margin. Our prices which had been easing away from the 40-cent level began to slide and continued downward to the support level. In other producing countries prices went into a nose-dive. In no time at all we found for example Mexico, Pakistan, Syria, and a dozen smaller exporters underselling us by 1 to 4 cents a pound, and even Egyptian Ashmouni, a premium 1-1/8-inch cotton, offered in Canada and in Europe at less than our own inch cotton could be landed there. Only Brazil held back; but apprehensions that Brazil's stocks, accumulated in 1951-52, might be loosed on the world contributed to the general nervousness.

The abrupt reversal of the price position of American and other cottons set people to surmising that the United States might resort to an export subsidy to hold its share of the foreign market. This thought had a chilling effect abroad on the textile industry and the textile trade. Our foreign customers thereupon put their operations on a hand-to-mouth basis as nearly as possible, and except as they needed our cotton to maintain the uniformity of quality in their products they bought the cheapest cotton they could. The importing programs of our customer countries did not stand up as expected. Some of our customers spent their free dollars for other growths, and some of the Mutual Security and Export-Import Bank dollars available for the purchase of our cotton went unused. Very shortly we found ourselves again in our prewar position of residual supplier to the world. When the season was done, we had exported just over 3 million bales.

As we start this season, we face a continuation of some of last season's conditions. Nevertheless we dare to hope that the season as a whole will turn out no worse and possibly a little better than the last one.

We are still in a price market and still in the residual supplier's position. Other producing countries are taking a great deal of the trade of the world at prices below anything we can match. This goes for all but Egypt where the recent rise of several cents a pound for Ashmouni relieves the pressure to some extent. While our friends in other producing countries in most instances have succeeded well in getting their stocks worked down, in the aggregate they still have a good deal of cotton to sell. Last year, out of a total world export trade of about 11-1/2 million bales, they actually shipped about 8-1/2 million bales. They had available for export about 2-1/2 million bales more than they actually shipped. That this excess was not shipped is due in part to Brazil's holding program. This year while these other exporting countries do not have availabilities as great as last year, their availabilities are about 1-3/4 million bales greater than their shipments of last year, and this time Brazil is selling freely. These figures may overemphasize the competitive supply position a little, as some of the foreign-held cotton is rather low in grade, but in any case there is a good deal of it.

On the other hand we can note that over the world as a whole the textile business is better than it was a year ago. We cannot be sure that the improved rate of business activity can be sustained. Nevertheless if consumption abroad holds through the season at its present levels, the total volume of cotton imported will probably have to be a little larger than in the past season. Last year, with importing countries drawing down their stocks, international trade in the world totaled only about 11-1/2 million bales. This was down about half a million bales from the year before. We used to think of about 13 million bales as the normal peacetime volume. International trade has not recovered that volume since the war, but there could be a return to the 12 million bales of 1951-52.

Our share in the total peacetime world trade in cotton since World War I has fluctuated between about 60 percent in the late 1920's and 23 percent in 1947-48. In 1951-52 we had 46 percent; last season 26 percent. We think our share could improve a little this season over last season. Mexico's export availability this year is down about a quarter of a million bales, and this might make room for a little more of our cotton in Japan which will presumably allocate dollars to buy up to 1.3 million bales from various dollar sources. We may be able also to regain some business in India where due to overimports in 1951-52 we sold almost no cotton last season. In Europe, we hope to do as well as last year, although there seems to be a great deal of shopping around for the cheaper exotic growths and we feel the price competition there acutely. Stocks in the United Kingdom were greatly reduced last year. Elsewhere in Europe, they are about as low as stable mill operations will permit. Stocks of American cotton are exceptionally reduced.

The dollar shortage that plagued our foreign customers for so long after the war seems for the time being, at least, to have materially eased. With our contributions to mutual security and with the restrictions that importing

countries still apply to nonessential dollar imports, a number of our best customers are beginning to be moderately comfortable dollar-wise, even though our direct economic aid to them is rapidly tapering off. For the others there is still available this year and already allocated for cotton some \$129 million of direct economic aid, sufficient, if used, to buy about 700,000 bales. There may be a little more to come. Credits already granted by the Export-Import Bank and applicable to this season will buy nearly three-quarters of a million bales more. Besides this, we have a provision in the new Mutual Security Act which permits us under certain restricted conditions to sell cotton for foreign currencies. The dollar funds available are limited and will have to be shared by all surplus agricultural products, but a vigorous effort is being made to develop all possible opportunities for business of this kind.

Despite the improvement of their balance-of-payments positions, most foreign countries continue of course to need dollars for many purposes. It is a question with them what their dollars can best be used for, and in the management of their national finances their governments allocate their dollar resources with an eye to what they consider their greatest need. In this respect American cotton competes with wheat, tobacco, fruits, and some of the oils and fats, not to mention machinery, petroleum products, coal, and numerous other products. More than these, it competes with gold; for most countries whose gold holdings suffered in and after the war are anxiously using every opportunity to replenish their gold reserves and so to increase the strength and improve the convertibility of their currencies. In the 12 months ending June 30, other countries bought about \$900 million of our gold. For the calendar year 1953, it is estimated that the outflow will be at least \$1.2 billion and possibly even \$2 billion. It would be idle, of course, to say that this might have been spent for cotton; but it corresponds to the value of some 7 to 11 million bales. The moral seems to be that when our prices are attractive and our foreign mill customers, calculating their costs in their own currencies, really consider that they can well afford to buy our cotton, their governments find a way to let them have the dollars. But if the foreign mills can buy their cotton cheaper for other currencies the governments quite willingly acquiesce and use the dollars for other purposes. Or they may even permit dollars to be spent elsewhere for cotton. After all, what the foreign spinner looks at is the cost of cotton to him in his own currency.

One pivotal factor in the outlook that we have to recognize is the uneasiness that still prevails abroad over prices and the price policies in this country. To be sure our prices are at the support level or below, and that rules out any repetition of the October to January decline of last year. As to our policy, this Government has repeatedly assured the trade abroad that no export subsidy will be applied this season and that foreign importers need have no fear that cotton which they buy now will be cheapened later this season in their hands by action of this kind on our part. Nevertheless our foreign customers see the world stocks increasing. They note that our own production is overrunning our disappearance and that practically all of the world's stock increase is taking place here. They assume on these grounds that this country sooner or later will act to move the cotton into consumption abroad,

Given this state of mind, we would ordinarily expect importing countries to keep their imports within their consumption and to end the season with only minimum working stocks on hand. We cannot be sure, however, that this will be the case. Should our crop of 1954-55 be cut back to the 10-million-bale level, or anything near it, one could visualize a combination of conditions that might touch off a buying movement by foreign importers to protect their 1954-55 requirements positions--not perhaps of the same intensity as in early 1950 but analogous to it.

On the other hand if indications develop that we are moving into a program of export stimulation based on substantially lower prices for exported cotton, we should be prepared for some intermediate readjustments abroad. Some liquidation of textile inventories might be expected, with a slackening of new textile orders that could cause mill consumption of raw cotton to hesitate for a time. At the same time exporting countries would be prompted even more than now to rush the sales of their cotton before our program could be put into effect.

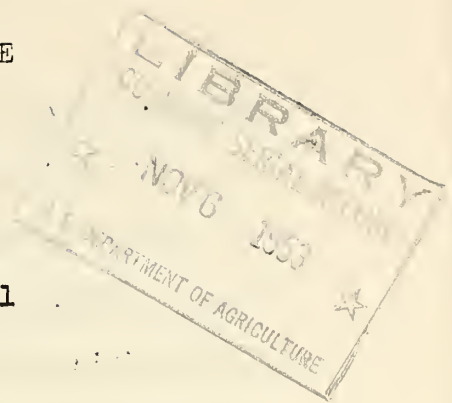
In announcing acreage allotments for the 1954 crop the Secretary of Agriculture has commented on the feeling among some legislators that the production adjustments necessitated by the existing law are unduly abrupt and severe. This implies some possible uncertainty as to what our 1954 production control program will actually be. Given this uncertainty and that of our price policy beyond the current season, and given the importance of the related psychological factors, it is more than usually difficult at this time to take a categorical view of the outlook. On balance, however, we are inclined to feel that although this season like the last one has been getting off to a slow start, the whole year's export trade has a fair chance to equal or exceed that of last year.

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UNITED STATES DEPARTMENT OF AGRICULTURE
Bureau of Agricultural Economics

FOREIGN MARKETS FOR AMERICAN WHEAT

Statement by R. L. Gastineau, Foreign
Agricultural Service, prepared for the
Wheat Session, 31st Annual Agricultural
Outlook Conference, Washington, D. C.,
October 28, 1953



The outlook for United States wheat in foreign markets during the current marketing season is one of continued readjustment -- of further decline from the unusually high levels of the earlier postwar period. It is readjustment from an all-time record total world trade in wheat and flour, to which the United States contributed nearly half. It is readjustment to the more realistic level of trade one might expect in a world that is not engaged in major shooting war, and to a more realistic share of that trade by the United States.

Bob Post has already mentioned one of the obvious aspects of that readjustment -- acreage allotments and marketing quotas. I suggest that one of the major encouraging aspects is the indication that a substantial part of the readjustment to our longer-term export market for wheat was made during the 1952-53 marketing season.

Let's use the 1952-53 year, and its level of U.S. wheat exports, as a point of departure in discussing these three questions as related to Foreign Markets for American wheat: (1) where have we been? (2) where are we now? and, (3) where are we going?

In many respects it is peculiarly appropriate to use the 1952-53 year as a point of departure. Total world trade in wheat and flour during the year was very close to the post-war average of 900 million bushels. It was the first year of the postwar period during which many countries were no longer entirely dependent on current production to meet their requirements. A record world wheat crop was harvested

in 1952, and reserves were on the increase -- in many countries from a low level of carryover stocks. It was the year of Argentina's comeback as one of the principal wheat exporters. It was the year during which a renewal of the International Wheat Agreement was negotiated with significant revisions in quantities and in the price range. It was a year which marked the beginning of a review and reappraisal of our agricultural programs and policies in the United States. The year 1952-53 was also one which saw the negotiation of a truce in Korea and some easing in international tensions. In short, it was a year of significant developments for the wheat trade.

As to the question "where have we been?", the story of postwar world trade in wheat -- and the United States contribution to that trade -- is by now a familiar one. A brief review of that story, however, will perhaps serve as a useful background for the discussion this morning. Total world trade in wheat during the seven marketing years from 1945-46 through 1951-52 averaged slightly over 900 million bushels. For individual years of that period the total ranged from a low of 760 million bushels in 1946-47 to an all-time high of over 1 billion in 1951-52.

Western Europe was the principal market for this trade - taking, on the average, about 60 percent of the total. Asia was next in importance with 20 percent, followed by the Western Hemisphere with 15 percent, and Africa with the remaining 5 percent.

The earlier postwar years were characterized by the critical food shortages that accompany the dislocations of war. They were also characterized, of course, by sweeping political and economic changes that resulted in some fundamental shifts in the supply-demand relationships

for wheat. Formerly important sources of supply for grain in Eastern Europe and the Danube Basin were moved behind the Iron Curtain and lost much of their importance as surplus producers. Population increases in Asia, and a sharp decline in the level of world rice trade (again an aftermath of war in the Pacific) brought increased requirements for wheat in that area. There are other changes -- less striking, perhaps -- that could be mentioned. Argentina, for example, lost much importance as a wheat exporter during this period as a result of its industrialization program. Only in recent years has there been a shift in emphasis back to a policy of increased production of grain in that country.

This postwar period has been described as one of abnormally high world import requirements for wheat. Looking back on developments and changes which have taken place during the past eight years, however, it now appears that some of these increased requirements may have become more or less permanent. This factor has real significance for the United States wheat industry.

The importance of the United States as a source of supply for wheat and wheat flour in postwar world trade has been noted many times in recent years. By the end of June, 1952, our total exports for the seven years beginning July, 1945, had reached 2.9 billion bushels -- an annual average of about 415 million bushels -- or 46 percent -- of the total world trade in wheat and flour during that period.

The 7-year period is replete with records for the United States -- 195 million bushels of wheat exported in the form of flour during 1946-47; nearly 60 million bushels total wheat and flour in a single month (April 1951); more than 26 million bushels of wheat as flour in a single

month (May 1947). The all-time peak was reached in 1948-49, when total wheat and flour exports for that year reached 503 million bushels. This was the largest total ever moved in a single year by an individual exporting country. Our wheat and flour exports during that year exceeded domestic consumption of wheat for food in the United States by more than 20 million bushels.

These records are mentioned here only to illustrate the capacity -- judged by past performance -- of the wheat industry of the United States.

Many countries throughout the world looked to the United States as a source of supply for wheat and flour during the postwar period under review. Some countries, such as France, India, and Brazil, for example, were "in and out," with fairly heavy requirements during individual years of the 7-year period. But for the entire period, Western Germany was by far the largest market, with an average annual import of 87 million bushels. Japan was next, with an annual average of 41 million bushels. Next in order came Italy (35), and the Low Countries (35). Other sizeable markets during the period included Greece, the United Kingdom, and Austria. The Latin American countries, as a group, and parts of Asia also represented traditionally important markets.

The position of the United States as a leading exporter of wheat during the postwar period was made possible by the ability of our wheat farmers to produce -- aided by generally favorable weather and the incentives of the domestic price support program. It was also made possible, of course, by the high level of world import requirements, and by the willingness of the United States to assume supply responsibility for many of these requirements through various foreign aid programs. Approximately 55 percent of the total United States exports

of wheat and flour during the 7-year period under review were financed by aid programs.

In discussing the question, "Where have we been?", little reference has been made to pre-war comparisons, because I believe those are mainly of historic interest in the current situation. Before leaving this question, however, it may be of some interest to recall that United States exports of wheat and flour averaged only 45 million bushels annually in the 1935-39 prewar period.

Coming to the question "where are we now?", current indications are that total world trade in wheat and flour during the current marketing season will be lower, by about 10 percent, than the total of approximately 925 million bushels for 1952-53. In the case of wheat, it may now be said that there has been complete recovery in levels of production (and in the supply position) of most countries as compared with the earlier postwar period. The 1953 world wheat crop is now estimated to be only 4 percent below the record 1952 harvest of 7.3 billion bushels. The decline from a year ago is accounted for mainly by smaller crops harvested in the United States and Canada, and expected in the Southern Hemisphere - principally Australia and Argentina. The 1953 wheat crop of nearly 1.3 billion bushels in Western Europe - the main deficit area - is above a year ago, and exceeds the 1945-49 postwar average by about 325 million bushels.

Supplies of wheat available for export or carryover in the principal exporting countries at the beginning of the 1953-54 marketing season totaled nearly 1.2 billion bushels -- about double the level of July 1, 1952. Adding new-crop supplies in North America, the totals

for the United States and Canada reach record or near-record proportions.

Supplies of wheat available for export in countries other than the so-called "big 4" are also at the highest level since before World War II. Turkey and France are in with record and near-record crop; French North Africa, the Middle East, and Sweden will have supplies for export; and the U.S.S.R. and Danube Basin countries have been contributing about 35 to 50 million bushels to the annual total of world wheat trade in recent years.

In this situation, with supplies of wheat generally abundant in both exporting and importing areas, it is to be expected that the level of U.S. exports will decline in the 1953-54 year. For the 1952-53 season the total was about 317 million bushels. This year, according to present indications, the total will be 250 million bushels or lower. To put it another way, the overseas demand for U.S. wheat will have to pick up considerably during the second half year if we reach 250. Exports of wheat and flour in the July-September quarter totaled 66 million bushels, but this includes about one-half of the present program for Pakistan.

There are, of course, some factors - unknown at present - that will have a bearing on total exports for the year. For example, the final outcome of December-January harvests in the Southern Hemisphere will influence the overseas demand for U.S. wheat. Production prospects for the Northern Hemisphere in the spring of 1954 will also have an important bearing on the total. Furthermore, the effects of Section 550 of the Mutual Security Act of 1953 on United States wheat exports are not definitely known at this time. This program provides for the purchase

of between \$100 million and \$250 million worth of U.S. surplus agricultural commodities to be resold overseas for foreign currencies. It also provides, among other things, that such purchases do not displace, or substitute for, usual marketings of the United States and friendly countries.

Wheat and flour are, of course, included in the list of commodities eligible for purchase with foreign currencies under Section 550. Considering the language of the provision, however, together with the total appropriation involved, it would seem that wheat and flour exports under Section 550 would be relatively limited.

And now for a brief discussion of the question "where are we going?" You will recall that the beginning of this statement noted one of the encouraging aspects of the export situation; namely, that a substantial part of the readjustment to our longer-term export market for wheat and flour was made during the 1952-53 marketing season. United States exports of wheat and flour during that year totaled 317 million bushels.

At the Senate Agriculture Committee's hearings last April-May on imports and exports, we made the statement that "it seems reasonable to expect that our wheat exports could be maintained in a range of 200 to 300 million bushels during the next few years." That statement was based on the assumption of a substantially higher level of world import requirements than before the war. Some of the reasons back of this assumption have already been mentioned. It was also based on the assumption that exports of wheat from countries other than the United States would continue to follow a fairly well established pattern. The usual qualification was made that there be no worsening of the present

international situation.

But more important than any of these, perhaps, was the assumption that United States exporters of wheat and flour would have some means of bridging the price gap and competing effectively whenever domestic price support programs hold prices in the United States above those prevailing in world markets. It is suggested here that whether U.S. exports average towards the upper or lower limits of the 200-300 million bushel range will depend in large part on the solution to this problem. This is not to imply, of course, that these limits are rigid. Exports could exceed 300 million bushels, but more easily could they fall below 200 million.

In earlier postwar years we depended on foreign aid programs, and more recently on the International Wheat Agreement to move the bulk of our wheat and flour exports. Obviously, we cannot depend indefinitely on foreign aid programs for a planned program of wheat exports. Nor is the renewed wheat agreement a completely satisfactory outlet. As originally negotiated, our quota under the renewed agreement was 270 million bushels. We have just been informed from Madrid, where the International Wheat Council was in session last week, that our quota is now 210 million bushels. This reduction is due primarily to withdrawal of the United Kingdom from the pact.

But while the present Agreement does not offer a completely satisfactory solution, the principles of IWA are sound. It is not proposed to discuss here any of the plans for promoting wheat exports which are now being studied. A Department position on the question has not been determined. To be successful, however, any plan for promoting exports of United States wheat (and IWA is such a plan) must recognize these

facts and principles:

1. That the world demand for wheat is limited.
2. That price stability in the world market is just as desirable as it is at home.
3. That international cooperation is essential.

One final word. In the case of wheat and flour, the ideals of international cooperation must always be tempered by recognition of the competitive nature of the trade. Other wheat exporting countries are aggressive -- and importers are hard bargainers. If we get our share of the market, we'll have to work for it!

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"IMPORTANCE OF OUTLOOK WORK"

True D. Morse, Under Secretary of Agriculture

Summary of Remarks before The Outlook Conference, Washington, D. C.,
October 28, 1953, 6:00 p.m.

I know from first-hand experience the important role you play in American agriculture.

This is an age of facts -- an age of precise knowledge -- an age in which the old proverb, "knowledge is power" is more true than ever before. We live in a complex economy, and our economic structure is growing more specialized all the time. With specialization, comes greater inter-dependence. Today, all economic groups depend on one another more than at any time in our history. No segment of the economy can "go it alone."

Consequently, outlook work has become one of the most important tools our farmers possess. The modern farmer needs an extensive knowledge of the "outlook", of the economic situation ahead, of the demand and supply prospects. It is here at this "Outlook Conference" that this knowledge is made available to you to take back to the farmers of your States and communities. Through these facts which you learn here and carry back home, farmers are helped to make adjustments on their farms, rather than to depend on Government to tell them what to do.

Though the cost-price squeeze of the past several years has been severe for agriculture -- and especially painful on beef -- there are strong indications that most of the price adjustments have been made and the situation has become fairly stabilized. Prices received by farmers dropped from 113 percent of parity to 94 percent of parity between February 1951 and January 1953, a drop of nearly 17 percent. They have declined only about 2 percent since then.

Nevertheless we do face many problems in our agriculture. In the past two years, there has been a sharp decline in foreign outlets for our agricultural commodities. This has been one of the factors which helped bring on excess stocks of some commodities, and this in turn has been a partial cause of a severe price-cost squeeze in agriculture.

We are vigorously attacking these three major problems. On the foreign trade front, we have established within the Department a Foreign Agricultural Service to stimulate export markets. A new International Wheat Agreement has been negotiated. Wheat has been made available to drought-stricken Pakistan, and food packages have been distributed to the people of East Germany.

For some commodities there is a problem of adjusting production to demand. We proclaimed marketing quotas on wheat, and farmers approved them. We have proclaimed quotas on cotton and farmers will vote on them in December.

One of the biggest problems has been, and is, the beef situation. Encouraged by high prices, farmers increased their herds of cattle and calves during four consecutive years, beginning in 1949. At the beginning of this year there were 17 million more cattle and calves on farms than at the beginning of 1949 -- an increase of 22 percent. A price adjustment was inevitable. It started in 1951, continued through 1952 and this year it was aggravated by widespread drought.

We have attacked this beef problem through drought aid, emergency credit, and a big beef purchasing and merchandising program. Americans are now eating more beef than ever before on record -- an average of about 75 pounds per person. This beef program serves farmers and consumers alike, and it is getting results.

The outlook for 1954 indicates strong consumer demand, continued large supplies of farm commodities, and no significant changes in farmers' prices or incomes. U. S. consumers will probably have about as many food dollars to spend in 1954 as this year, while foreign outlets for cotton, food fats and oils, and perhaps tobacco should increase somewhat. Farm prices are stabilizing, but indications are that

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farm costs will also show some decline. In short, the net income of farm operators next year will probably be fairly close to this year's level.

The present period is one of readjustment for agriculture, but there is no reason to fear the future. There are eight basic reasons why our agriculture is sound and on solid ground:

- 1) It is financially strong. Farmers had nearly 22 billion dollars in financial assets at the beginning of 1953 -- plus 17 billions more worth of farm machinery and motor vehicles. Agriculture is a 165 billion dollar business, with total debts of only 16 billion.
- 2) Farmers are more efficient and better informed than ever before. This year they produced 2/5 more food and fiber than in 1935-39, with about 1/5 fewer man-hours of work. Greater efficiency is the key to lower costs, wider markets, and more stable income.
- 3) The American people are accustomed to good diets, and they want still better diets.
- 4) Our national population is steadily increasing. It has been growing by more than 7,000 persons per day. This means an expanding market for farm products.
- 5) The farm programs of the future, with heavier emphasis on marketing, will be more effective than present programs.
- 6) We are well along in the adjustment process.
- 7) The national economy is sound, and a sound economy will promote farm prosperity.
- 8) The Federal Budget is to be brought into balance and taxpayers will have their tax burden eased.

To make the most of our agricultural future, we shall all need to give uninterruptedly of our best efforts.

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We in the Department have the job of providing the most effective and economical service possible. The reorganization of the Department is a major step in this direction. It will put the service agencies into 4 main groups: Federal States Relations; Marketing and Foreign Agriculture; Agricultural Stabilization; Agricultural Credit.

Under the proposals announced October 13, all research, analytical and statistical work, including crop and livestock estimates of BAE will be transferred to Agricultural Marketing Service--except the farm management and land use research which will be transferred to the Agricultural Research Service, in the Federal States Relations group. You understand, of course, that we have invited comment from all interested parties and that there may be some modifications in the plan as announced, after outside comments are analyzed.

These changes will streamline the Department for better service to farm families and for simplified internal organization. They are designed to meet present day conditions.

Former President Herbert Hoover, in endorsing the proposed reorganization of the Department of Agriculture said:

"This is to express my personal satisfaction over your proposals for the internal reorganization of the Department of Agriculture.

"As you know the Reorganization Commission of 1947-50 considered it one of the worst organized departments in the Government - - - - -.

"Those few who have been critical of the announced proposal apparently do not understand it or have a selfish interest in keeping the status quo. Such is the case as in the misrepresentation of your soil conservation set-up. However, even a constructive move in government is always protested by a few, but I am sure the majority of our citizens will heartily approve of your reorganization as a contribution to good government."

You, as outlook workers, have the job of bringing to farms and farm homes the facts and techniques that make for better farming and better rural living.

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Outlook work goes hand in hand with research and education in improving agriculture. Agriculture is vital to our economy -- but it is still only one segment of the economy. We must see it in its relationship to the whole economy. Outlook work is designed to help all.

By the time Congress is ready to consider farm legislation we will be prepared to recommend improvements in the existing farm programs. These programs must serve the best interests of all the American people, consumers as well as producers. This was the pledge of President Eisenhower and the mandate of the people.

Farm people are now only one-sixth of our national population, and rural nonfarm people are another one-sixth. The remaining two-thirds are urban. Consumers far outnumber producers. Tax-payers far outnumber those receiving direct benefits from farm programs.

In 1910, 35 percent of our people lived on farms. In another 25 years, only 10 percent of our population may be on farms. Even back in 1940, only 15 States had bigger farm populations than urban, and in 1950, only 16 States had farm and rural populations combined that exceeded their urban population.

Unless farm programs are designed to serve all the people, they will not be supported. Farm leaders must propose legislation and programs that will be to the advantage of all.

Agriculture must be dealt with as a total industry -- taking in all those who produce, process, store, finance, sell and otherwise work with farmers and farm products. The narrow view is to consider only the 15 percent of the population now living on farms. Such a limited approach will restrict agricultural progress.

Farmers would be quite helpless in our modern economy if they did not have all the services which enable them to produce and sell in a way to operate profitably.

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To produce, they require of industry: Machinery, tractors, oil, gas, fertilizer, seeds, chemicals, finances and many other services.

To sell, farmers require the services of trucks, railroads, airplanes, processing plants, storage, advertising and all the retail facilities of stores, restaurants and hotels.

All people are the consumers of farm products and thus the customers of farmers.

Just as the job of extension is to fit together all the pieces of the jigsaw puzzle on the individual farm -- so the job of the outlook conference is to help us fit all the pieces of the jigsaw puzzle together in agriculture as a whole, specifically in its relationship to the entire economy.

You, and those who work with you, will go out and work with the farmers of your locality -- but I urge you never to lose sight of the farmers of the whole country -- and of the people of the entire country. It is vital to agricultural leadership today to know something about economic facts and issues beyond the farm, beyond the local community. That is a major reason why you have taken time out of your busy schedules to come to this national outlook conference.

You economists, research, extension, and educational workers have a big job ahead. It will require hard work, untiring perseverance. We rely on your spirit of cooperation -- of leadership -- of good citizenship. This confidence is not misplaced. You will continue to advance the economic knowledge of the American people -- which is absolutely essential for solid progress.

Burgess reminded his audience that economic freedom or, "opportunity unlimited," has been responsible for America's strength. Some call this liberal capitalism, he said, but whatever the name, it must be continued if the economy is to continue to grow. Such a system is dependent upon honest money and reward for saving, he added.

"For 20 years," said Burgess, "our National Government grew bigger and bigger and moved more and more into areas of the country's economic and social life. Some of these extensions of functions have proved proper and useful, but the trend towards centralization of power got out of hand. It brought us mounting expenditures, higher taxes, larger deficits, and inflation."

Burgess said that the present Government has turned against this trend. The reduction in Government spending and taxes is evidence of this change. It is not a change in the sense of responsibility of the government for the people's welfare," said Burgess, "it is rather a difference in method and approach. The objective is a dynamic, vigorous and growing economic life and rising living standards. The function of our government is conceived as not so much to supply benefits directly to its citizens as to insure the opportunity for them to achieve them by their own effort."

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UNITED STATES DEPARTMENT OF AGRICULTURE

Washington, October 25, 1954

Summary of remarks by W. Randolph Burgess, Under Secretary of the Treasury for Monetary Affairs, at the 32nd Annual Agricultural Outlook Conference, October 25, 1954, U. S. Department of Agriculture, Washington 25, D. C.

State extension economists gathered here today for the 32nd annual National Agricultural Outlook Conference were told that the United States must not accept the philosophy that inflation is essential for a prosperous economy.

Under Secretary of the Treasury for Monetary Affairs W. Randolph Burgess told the group that this administration is dedicated to halting inflation which has cut the value of the dollar almost in half during the past 20 years, and equally to avoiding deflation. There are two methods of attempting to do this, said Burgess. One is through direct government controls. The other, and the one on which the economic policy of the present administration hinges, is through indirect government controls.

"This administration believes," said Burgess, "that we have demonstrated that certain fiscal and monetary methods are of great power in avoiding both inflation and deflation. These are budget control, freedom of the Federal Reserve System to carry out wise economic policies, and debt management.

To this end, stated Burgess, the rate of government expenditures has been cut by 10 billion dollars during the past 21 months and the annual tax take from the American people reduced by $7\frac{1}{2}$ billion dollars. The Federal Reserve System has been freed to devote its energies wholly to its lawful purpose of giving the people honest money, and preventing inflation and deflation. And the national debt has been managed for the same purpose, he said.

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UNITED STATES DEPARTMENT OF AGRICULTURE
Agricultural Research Administration
Bureau of Human Nutrition and Home Economics

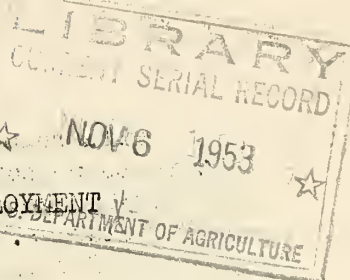
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INSURANCE AGAINST DEATH, DEPENDENT OLD-AGE AND UNEMPLOYMENT

Talk by Weltha Van Eenam, Division of the Actuary,
Social Security Administration, at the 31st Annual
Agricultural Outlook Conference, Washington 25, D. C.,
Wednesday, October 28, 1953

I appreciate being asked to speak to you about the protection afforded the aged and dependents of workers in America. I want not only to tell you something of the programs provided through Congressional action but also of voluntary protection provided through facilities which have grown up through private initiative. Social Security may be considered as a "Floor of protection." This is supplemented in many organizations by group life insurance and in somewhat fewer by retirement plans. Individual insurance and savings are a further bulwark against death and dependent old-age. The extent of such insurance is indicated in table 16-A.

As to social security, the Old-Age and Survivors Insurance program is arranged to provide monthly benefits at retirement either at or after age 65, such benefits being based upon average earnings beginning either with 1937 or 1951. Annual earnings above \$3,000 are disregarded through 1950 and since that time earnings above \$3,600. Additional benefits are paid to wives or dependent husbands of beneficiaries upon their attainment of age 65. These programs also provide protection for children of insured deceased workers. In addition to monthly benefits, a lump sum equal to three times the primary monthly benefit is payable upon the death of an insured worker. Widows below age 65 receive monthly benefits as long as they have in their care children eligible for benefits. Upon reaching age 65, they will again be entitled to monthly benefits. In case there is no widow or child entitled to benefits, dependent parents of insured workers become eligible. Benefits to the widow cease upon remarriage. In all cases, the so-called work clause operates; that is, benefits are suspended if earnings are more than \$75 per month. This operates a little differently for the self-employed but is, in effect, essentially the same. The work clause becomes inoperative at age 75.

As an example of the insurance provided for dependents of insured workers, we might consider the family used in the illustrations elsewhere in this conference. The discounted value of the benefits available in case of death of the insured worker who has averaged \$200 per month in covered employment and who has a wife age 28 and three children, aged five, three, and zero, respectively, is about \$23,000. This is the amount of insurance for that particular year. Ten years later, the discounted value of the benefits payable to the same family if death occurs in that year is about \$12,500. These values assume that death rates of widows approximate those of the United States female population and that funds will earn 3 percent interest. The average amount shown in the table for married men with children (\$11,400) takes into account the age distribution of all insured fathers and the relative ages of wives and children.



With respect to monthly benefits now being paid under the OASI program, it is to be noted that the average for those now coming on the rolls under the 1952 formula is considerably higher than the average for all present beneficiaries. Corresponding to the \$51 average for retired workers, the average for those now retiring under the 1952 formula is about \$65. The estimated number of persons insured at the beginning of the year is considerably in excess of the average number working in covered employment during the year. Many persons who have left the labor force (either permanently or temporarily) still have an insured status. More complete information as to the OASI program is contained in this pamphlet "Summary of the Old-Age and Survivor Insurance System as Modified by the 1952 Amendments."

Many of those covered under OASI are also covered for group life insurance (approximately 23 million), the average per insured being about \$2,700. Under some plans of group life insurance, the employer pays the full amount; in others, the cost is shared by the employer and employee. A few plans include small amounts of life insurance on other members of the family.

We now come to the individual life insurance. This is of two general types--ordinary and industrial. The latter involves weekly (sometimes monthly) premiums, usually collected at the home, but with a discount if paid at the home office less frequently. This form is carried by persons living in industrial areas, with relatively more in the South in relation to urban population than in other sections. These policies are small and a large proportion is on the lives of women and children, aimed to provide last sickness and burial benefits.

By far the largest proportion of voluntary life insurance is of the ordinary type. Premiums are generally paid annually or semiannually although there is a considerable amount with premiums paid monthly or quarterly. Policies of various classifications are available. Some of these are noted in Table 14. Different kinds meet the differing needs which life insurance aims to cover. Under term insurance, the lowest premium form, insurance ceases at the end of the stated period, although most such policies provide either for renewals at a higher premium for a similar stated period, most commonly one, five, or ten years, or for conversion to what we call "permanent" insurance. The most usual permanent forms are whole life or endowment. The whole life policy pays the face amount at death and may call for premiums payable throughout all of life (the lowest premium whole life form) or for a limited period, such as 20 or 30 years, or until attainment of a certain age, most usually age 65 or 85. Under an endowment policy, the face amount is paid at the end of the endowment period or upon death, if earlier.

I want especially to emphasize two or three things about life insurance that are not always understood. The first is that policies generally provide for optional methods of payment of proceeds. Instead of receiving the face amount at once, with the money often "frittered" away, the insured or the beneficiary may elect to have the amount payable in installments over a given period or over the lifetime of the beneficiary. Examples of the amounts of such installments will be found in Table 16. The second point is the so-called "non-forfeiture" values of the permanent forms. We may wonder what would happen if after paying premiums for a time it becomes impossible to keep up the payments. Under permanent forms of insurance, the premiums paid

by a group entering at a given age will have been more than sufficient to pay for the death claims of that group in the early years. The extra amount has been used to build up a reserve to care for a portion of the death claims when they become greater than the premiums collected in later years. This reserve represents savings on the part of the insured. These savings may be obtained in the form of a cash (or loan) value (or may be paid in installments just as in the case of a death claim or maturity of an endowment). Instead of cash payments, the insured may elect to have the policy become paid-up for a reduced amount or may elect to have it continued for as long as the reserve will carry it for the face amount (less any indebtedness). When the contingency is temporary, the insured may wish to exercise his right to a premium loan. I think very often an aged person should be encouraged to change his life insurance into an annuity payable for life. So many want to feel that they are leaving something to their heirs, but would it really not be better and are they not entitled to use these savings to provide whatever income is possible for life. They may say, "But suppose I die after only a few payments have been made, then the insurance company gets all of the money." We might answer, "Yes, but suppose you live until age 90, the insurance company will pay far more than you have saved, together with interest." In other words, those who live to get large amounts may be said to receive a portion of this from those who live only a short time. It is true cooperation because the proceeds are payable throughout life regardless of the longevity with nothing remaining at death. No other form of investment possesses this advantage. While I believe that if there are no dependents, this form of option is desirable since it provides the largest annual (or monthly) payment, some may prefer to take a smaller life income with the assurance that, if death occurs relatively soon, a portion of the savings will inure to a member of the family. To meet this desire, the policies allow the insured to elect an annuity of smaller amount with a guarantee that in case of death within a period of, say, 10 or 20 years, payments will continue to a beneficiary for the remainder of that period. In this connection, I would say, "Study the optional methods of payment of proceeds."

I cannot leave the subject of ordinary life insurance without calling to your attention a very popular policy which was somewhat of an innovation about 25 years ago. This is particularly adapted to the young father who needs additional protection during the years his children are growing up and more especially to the young farmer father who so badly needs his money to acquire equipment and stock to say nothing of making payments on a possible mortgage. There can be added to the whole life or endowment policy or even in some life insurance companies to term insurance policies, a provision for payment of a monthly income, usually \$10 per \$1,000 of insurance beginning at death and continuing until, say, 15 or 20 years after the date of the policy (according to the period chosen), at which time the face amount becomes payable. The additional cost for this provision is very little as shown in the last line of Table 14. Such a provision does meet at nominal cost a real need, that of providing a family income during the period of dependency. In case death does not occur within the period, the premium is reduced to the regular basic form premium at the end of the period. A similar type costing somewhat more provides for payments for a given period after death rather than for the remainder of a given period after the date of the policy. A brand new policy was introduced by one company this year, which provides for \$10 per month from the date of death at age 65. The basic policy is a whole life policy.

So far I have not mentioned another policy form and I am told it is particularly popular among mid-west farmers. This is the endowment at age 65 with monthly life income of \$10 per \$1,000 of life insurance beginning at age 65 and continuing for the lifetime of the insured with payments guaranteed generally for 10 years. Thus payments of 1-1/5 times the face amount are guaranteed and are continued for life if the insured lives beyond the guaranteed period.

I have merely touched the high spots of how insurance may be used to provide both protection for dependents and life incomes. To prevent dependency in old-age, savings may be used directly to provide a life income under annuity policies. Table 15 gives premium rates for some forms. The lowest premium is, of course, for the straight annuity under which no payments are made after death. The installment refund annuity provides that if death occurs before there has been a full return of premiums, payments will continue until the amount paid is at least equal to the premium. Under the cash refund annuity, there is payable at death a lump sum equal to the difference between premiums paid and amounts of annuity received prior to death. This little booklet "Handbook of Life Insurance," noted in the bibliography, covers some of the material I have presented; also the factors involved in determining premiums and cash values, briefly death, survival and interest rates.

From one of the leading insurance companies and perhaps one writing more insurance on lives of farmers than any other, I have obtained the following distribution of insurance issued on the lives of farmers as shown from a fairly large sample.

POLICIES ISSUED TO FARMERS 1953

Type of Policy	Percent Distribution		Approximate Average Amount
	By Number	By Amount	
Whole life ...	54	48	\$6,000
Endowment	24	15	4,000
Term	19	36	12,000
Other	3	1	1,700
Total	100	100	\$6,500

It seems to me that farmers need most (stated in order of importance) (1) mortgage insurance in the form of decreasing term insurance (to cover the balance of the mortgage), (2) a basic policy including the family income provision, and (3) endowment insurance with a life income. The degree of need under the last two will in the future depend upon whether or not farm operators are brought under OASI. The basic policy will afford protection for the widow after the children are no longer eligible for benefits and before she reaches age 65 when OASI benefits are resumed.

I should mention the State assistance programs for the needy aged and for the needy dependent children which are partially financed by Federal funds. Primarily the old-age assistance programs provide for payments to needy aged persons not eligible to old-age and survivors insurance benefits. At the end of July 1953 about 2,600,000 aged persons were receiving old-age assistance, the average monthly payment being about \$51. The average differs greatly as between States under both this program and that for assistance to dependent children (for the aged, from a low of \$27 to a high of \$79). About 555,000 families were receiving aid to dependent children at the end of July 1953, the average amount per family being about \$83 per month. Here, again, the average varied greatly as between States (from a low of \$40 to a high of \$133). The number of children involved was nearly 1½ million with some additional payments being made to an adult relative in families in which the requirement of at least one such adult was considered in determining the amount of assistance. The average monthly payment per recipient under this latter program for the country as a whole was nearly \$24.

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UNITED STATES DEPARTMENT OF AGRICULTURE
Agricultural Research Administration
Bureau of Human Nutrition and Home Economics

NUTRITION AND CONSUMER EDUCATION

by

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Talk given at the Dairy Session of the 31st Annual Agricultural
Outlook Conference, Washington, D. C., Thursday, October 29, 1953

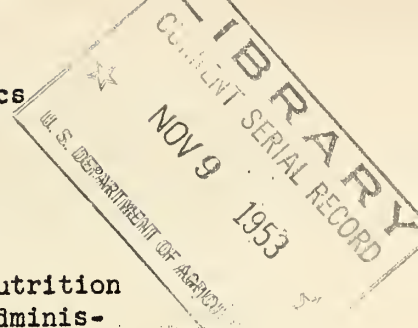
Last year (1952), per capita consumption of milk and its equivalent in other dairy products except butter averaged close to 250 quarts a year, or about 2.7 cups a day per person. This is just about the average that would result if all persons under 21 years had a quart and all those over 21 a pint of milk (equivalent) a day. Part of this of course does not appear on the table as milk; it reaches consumers in cheese, ice cream, bread, and other foods. As you know, this level is considerably higher than in prewar years. Some of the increase is due to greater purchasing power of consumers; some to greater availability of fluid milk in some areas and of other forms of milk; and some, I am sure, to the educational efforts of nutritionists and health workers.

The question before us now is how much higher, if any, can we expect consumption to go? This is a question producers of all kinds of foods would like to have answered. Of course the Nation will use more of every kind of food as our population increases. But it is obvious that on a per capita basis we can't eat more of everything. Except for the people underconsuming with respect to calories, increased consumption of one food can't help but result in reduced consumption of others. Moreover, per capita food needs, in terms of calories, are actually declining as a result of changes in our way of life--shorter hours of work, the automobile, and greater use of labor-saving devices.

This lessened food need is reflected in the energy value of our per capita food supply which is about 200 calories per person per day lower than it was 40 years ago. Our calorie intake should decline still further, according to medical authorities who believe obesity to be one of our major health problems today. There is evidence that the much publicized warnings about the dangers of obesity have really taken hold. Adults are calorie and weight conscious to an extent that has important implications for food industries.

With the present educational emphasis on foods that supply protein, minerals, and vitamins along with calories, the dairy industry as a whole is in a favored position. There is reason to hope that milk consumption may increase still further, although there may be adjustments as among some of the dairy products.

Per capita consumption of table fats has declined, although that of total visible fats remains at a high level, about 67 pounds. We are now using about 16 pounds per person of table fats, or 3 pounds less than we did before World War II. This is in part because we are eating less bread and potatoes and in



part the result of current emphasis on low-calorie diets. Whether or not the consumption of butter will increase probably will depend on its price in relation to margarine. An increase in per capita consumption of total table fat does not seem likely.

Research has failed thus far to demonstrate any nutritional superiority of butter over margarine fortified with vitamin A when eaten as part of ordinary mixed diets. Even if some nutritional advantage might be shown with laboratory animals on experimental diets, it does not follow that results would carry over to humans whose diets contain a wide variety of fats and other foods. In other words, there is no nutritional basis at present for promoting greater use of butter than of fortified margarine.

In fact, nutrition teaching is more likely to emphasize lower fat consumption. Clinicians view with some apprehension the increase in the percent of calories from fat in our average diets, 40 percent now as compared with 32 percent in 1909. This proportion is found not only in our national food supply but in diets of families and many individuals as well. Although there is little information about actual requirements for fat, nutritionists have suggested that 20 to 25 percent of the total calories may well come from fat.

A program to promote increased consumption of milk might well begin by finding out who are the low consumers, in other words, where are the potential markets. In broad outline, low-income families use less than those with high incomes; farm families without home-produced milk consume relatively small amounts; families of adults only, use less than families with children. As a group women probably consume the least--less than men, less than teen-agers, with older women using less than younger women. Women after 40 are a group likely to be restricting calories, either to control weight or because their lessened physical activity does not require their former food intake.

In periods of physiologic stress, liberal quantities of milk are especially important. Yet many pregnant women whose dietary needs can scarcely be met with less than a quart of milk a day in a well-chosen diet, consume relatively little. Adolescence is another period with high nutritional requirements, yet teen-age girls are very likely to restrict their milk intake in an effort to keep slender.

In institutions where food costs must be kept at a minimum, milk is likely to be inadequately supplied. This may be particularly true of mental institutions, homes for the aged, and small nursing homes. Nonfat dry milk offers great possibilities for improving these diets, as some of these institutions are beginning to learn.

Educational efforts to increase consumption may be most effective if directed toward the underconsumers, emphasizing with each group the points likely to have most appeal. Basic to all, of course, are facts on the nutritional value of milk.

Recommended quantities of milk have been based largely on calcium requirements since this is the nutrient least likely to be provided by other foods.

At present levels of consumption, milk in its various forms supplies over three-fourths of the calcium in our national dietary. Nearly half the riboflavin in our diet comes from milk. Next best sources of this nutrient are meats and enriched grain products. Individuals who habitually use little milk and who cut down on cereals and bread may find their diets low in riboflavin.

The contribution that milk makes to the protein content of the diet is not always appreciated. In our overall food supply milk products account for about a fourth of the total protein. But this doesn't tell the whole story. Milk is one of our most valuable sources of protein because it contains all the essential amino acids in good proportions for efficient growth and maintenance of body tissues. When used in the same meal with cereals and other vegetable proteins it enables the body to make more efficient use of the less complete proteins in these foods. Compared to other food sources of good quality protein, milk in its various forms is relatively inexpensive and offers real bargains in food value for the money. In addition to the nutrients already mentioned, milk contains important amounts of thiamine, vitamin A, and several other well-known essentials. These are but a few of the 100 or so separate components milk is known to contain. There are some, like vitamin B₁₂, whose role in human nutrition has not yet been clarified. There may be others still to be identified.

Appeals to homemakers to drink more milk need to deal first, with why they need milk, next with the economy of milk as a source of nutrients and the relative cost of nutrients in different forms of milk. Most of all, homemakers need help in selecting their diet as a whole and in seeing the way in which milk can fit into it. The fear that milk is "fattening" is a deterrent to its consumption by some people, especially women and older girls. Actually milk is a basic food in most reducing diets.

People need to know more about food values in general to help in food selection. They need to know, for example, that for the calories in a piece of apple pie they could be having a pint of whole milk or nearly a quart of skim milk. Without some knowledge of this kind it is not easy to obtain needed amounts of protein, minerals, and vitamins and at the same time keep calories in moderation.

Another problem in trying to promote greater consumption is competition from other beverages. When people feel the need of a "pick-up" or a thirst quencher, milk may give way to coffee, tea, a soft drink or other beverage. Perhaps if people were encouraged to think of milk as a food and not a beverage this kind of competition would be less of a problem. If planned as one of the food items of the meal instead of something to drink with it there is no reason why both milk and coffee should not be served.

The homemaker is "Key man" in the household. It is she who plans the meals, handles the food money and makes decisions on how to spend it. She is therefore in a strategic position to influence the food consumption of each member of the family including herself. Even though she may not be able fully to control the milk drinking of her teen-age children, she can learn how to put more milk solids in the food she serves.

With more meals eaten away from home, however, educational programs must go beyond the homemaker. The serving of milk in schools should do much to help establish the milk drinking habit in children. Perhaps more attention should be given to maintaining the habit once established. The fact that younger adults consume more than older ones would suggest that this effort might be fruitful.

Changes in food habits come about slowly. But with the efforts of nutrition and health educators combined with those of the dairy industry I believe we can look forward in this country to some further increase in per capita consumption of milk and its products. Perhaps some of this increase may be in greater use of nonfat milk solids in other foods before they reach consumers. As long as there are so many low consumers, we have not reached the saturation point in milk consumption as we have perhaps with some other types of food. We should remember too that per capita consumption of milk in its various forms is higher in several other countries than in the U. S.

It is gratifying to learn that recently we have been using our milk supply to the better advantage of people. Compared with about 50 percent before World War II, 70 percent of the nonfat solids produced now is being used as human food. The other 30 percent not yet used gives some leeway for increasing consumption. In view of the needs of an expanding population and the fact that we have many low-milk consumers who might be expected to heed the teaching of nutritionists, the opportunities for an expanded market for milk seem to me to be good.

UNITED STATES DEPARTMENT OF AGRICULTURE
Bureau of Human Nutrition and Home Economics

THE OUTLOOK FOR CLOTHING AND HOUSEHOLD TEXTILES

048
series

Talk by Ethel D. Hoover, Chief, Branch of Consumers' Prices,
Bureau of Labor Statistics, Department of Labor, at the
31st Annual Agricultural Outlook Conference, Washington, D.C.,
October 27, 1953

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U.S. DEPARTMENT OF AGRICULTURE

The outlook for clothing and household textiles is headlined by the term, "Miracle Fibers." During World War II, we as consumers looked forward to the day when the new fibers that were being developed would be used in the manufacture of civilian goods. Just before the war, we had had a tantalizing taste of nylon--in our hosiery. The many stories of developments in the laboratories made us too optimistic about the possibility of having articles of the miracle fibers the day after the war ended--or at least in the next few months. The path from the laboratory to mass production of fiber, to apparel and household textile manufactures, to the thousands of retail stores throughout the United States is a journey not made in a short time.

In the immediate post-World War II period, the need to "fill the pipe lines" and to provide goods for consumers as soon as possible, necessitated the manufacture of the kinds of things for which we had the machinery and know-how. The newer products thus came along more slowly than we had hoped. But we are now in the midst (or at least well past the starting point) of the production and marketing of goods of new manmade fibers with all of the impact they carry in themselves and on developments in cotton, wool, and other natural fibers as well as the familiar rayon and acetate fibers.

The very number of the new fibers is producing some confusion, not only for the buying public but also for the manufacturer utilizing them and for the retailer who is expected to provide selections of all articles made of them. When we look at the list we can easily see how such confusion can arise. Nylon, Orlon, and Dacron are already familiar names. To name a few more, we have dynel, Vinyon, Acrilan, Wynene, Avisco, Caslen, Aralac, Vicara, Velon, saran, Vitron, Fiberglass, and so-on--many of the names are trade-marked names and have been derived from the name of the company that developed them. To add to this new vocabulary, a new name is often applied to variations of many of the manmade fibers. For example, the name Chromspun is a trade-marked name for acetate yarns for which the dye is put in the solution, before the fibers are made. Also, many of the new fibers are combined with each other or with older synthetic or with natural fibers to create new yarns and fabrics with new properties.

"Duralon," for example, is made of nylon, rayon, and acetate and it is claimed to be six times more resistant to abrasion than many other fabrics used for boys' outerwear. "Nyron," which has quick drying properties, is a blend of nylon and acetate, and has become an important fabric for lingerie. The blending of the synthetics with the natural fibers is giving to the consumers of the world almost endless possibilities for variety in apparel and other textile products. We are all familiar with the use of Dacron and wool, and Orlon and wool in men's and women's outer clothing. Vicara has been blended with wool to produce fabrics with a cashmere-like hand. Orlon has been blended with fine cotton for use in men's shirts and women's dresses. Many other blends are gradually finding their way into the consumer market.

The dramatic developments in the manmade fiber field has given rise to some equally dramatic changes in the natural fiber field. Chemistry, the science to which the manmade fibers owe their origin, may turn out to be one of the important reasons why the natural fibers will never be displaced. The development of wrinkle-resistant and mildew-resistant cotton fabrics will help cotton retain its importance. Many chemical finishes have added to the attractiveness and variety of finished fabrics. A recently announced development of chemically treating cotton fibers prior to processing is claimed to retain for cotton all its original desirable qualities and to impart to it most of the qualities of the miracle fibers. Wool is likewise being given additional qualities via the test tube. We now have shrink-resistant wool fabrics that are also mothproofed. There are some accounts of tests now in progress that are expected to result in lighter weight wool fabrics, with the properties of mothproofing and shrinkage control, that will have a more luxurious hand than before, will wear longer, retain their shape, be water and spot repellent and have many of the qualities of the miracle fibers. Similar developments are going on for the older manmade fiber--rayon. I saw an advertisement in a recent issue of a trade paper offering "permanently washable rayons" as "a weapon against competition which has been riding the washability gravy train."

There are so many interesting acts in the current textile drama that we could talk about them for a long time. However, since time is limited, I would like to give you some figures on consumption and prices, so that you will have an idea of the part the manmade fibers are playing in the textile world.

The Textile Economics Bureau has recently published some figures covering the last 30 years on fiber consumption in the United States. This 30 year history shows some striking changes--as competition from manmade fibers played an increasingly important part. Cotton, which represented about 85 percent of total fiber consumption in the 1920's and 1930's had dropped to 70 percent of the total in 1952, wool from about 10 percent to 7 percent, silk from about 2 percent to 1/10 of 1 percent. These declines occurred while the importance of manmade fibers was growing. The importance of rayon and acetate grew from less than 1 percent in the early 1920's to 19 percent in 1952. The remaining manmade fibers grew from less than 1 percent in the 1940's to 4 percent in 1952.

These figures on the share of the total consumption, however, do not show the growth that has occurred in our over-all consumption of fibers. The poundage of cotton used by mills, for example, increased from around 3 billion pounds in the 1920's to almost $4\frac{1}{2}$ billion in the postwar years. Wool consumption rose to a peak in the immediate postwar years but has dropped since then, probably in response to the large price changes that have occurred. Silk is a clear case of displacement by the manmade fibers, first by rayon, and later by nylon and the other fibers. The rate of growth of the manmade fibers since 1947 is very sharp. Some data available for the first part of 1953 indicates a continued rapid growth. With additional facilities for producing the fibers being completed during the year and with spinners and weavers increasing their know-how and desire to use them, it is inevitable that more and more of the articles we use in our daily life will be made from them.

The Textile Economics Bureau reached the conclusion that "manmade fibers have grown primarily on their own merits rather than as substitutes for the other two major fibers. The data certainly suggest that population growth and

the larger per capita fiber consumption associated with the unmistakably upward trend in the American standard of living over the past 3 decades or so have combined to create a market in which all fibers may share on their individual merits."

The extent of the use of the new fibers varies considerably by kind of product. A study made by the Textile Fibers Department of the E. I. du Pont de Nemours and Company, Inc. and published in a recent issue of Textile Organon shows end uses of the various fibers for a number of years. For men's and boys' apparel, the manmade fibers (including rayon) represented 3 percent of all the fibers used for these garments in 1937. By 1951, the manmade fibers were more than 11 percent. This is due not only to the use of the newer fibers but to an increased use of the older ones, rayons and acetates. Suits, trousers, and outdoor jackets accounted for the greater part of the manmade fibers in 1951. Announcements in the trade press indicate that 1954 will see increased use of blends of Dacron and wool in men's suits, and nylon and other fibers in slacks and jackets. The acceptance of these fibers in women's and misses' apparel has been even greater than for men's and boys'. Of all the fiber used for women's and misses' apparel in 1951, 45 percent was synthetic as compared with 30 percent in 1937. The list of important articles in this group is long--suits, jackets, dresses, coats, sweaters, blouses, underwear, nightwear, hosiery, etc. All trade comments point to an increased use of the manmade fibers for these articles in 1954. For household textiles, the use of manmade fibers has shown an increase from about 3 percent of all fibers in 1937 to more than 11 percent in 1951. Curtains for the home are now available in nylon, fiberglass, and Orlon, and even for rugs and carpets, the use of rayon and synthetics is common. All-nylon upholstery fabric has appeared in significant quantities during the past year, and rayon and metallic yarns have been used extensively to produce decorative effects in these fabrics.

Turning to what has happened and is expected to happen to prices, I would like to review briefly the changes shown by the textile components of the price indexes of the BLS. These two indexes are the Consumer Price Index and the Wholesale Price Index. The Consumer Price Index is a measure of the average change in prices of the goods and services purchased by families of wage earners and clerical workers living in cities in the United States. Retail prices are obtained for about 300 commodities and services from stores and other businesses in 46 cities through the use of carefully defined quality descriptions. The Wholesale Price Index is a measure of changes in prices in primary markets. "Wholesale" as used in the title refers to sales in large lots--not to prices paid or received by wholesalers. The prices used for the index are those that apply at the first important commercial transaction level, such as selling prices of producers.

Over a 6-year period, from June 1947 in the postwar era, to July 1953, prices in retail stores in large cities increased about 2 percent for women's and girls' clothing, about 11 percent for men's and boys' clothing and over 20 percent for footwear.

From June 1947 to June 1950, just before the outbreak of war in Korea, retail prices for women's and girls' clothing had declined about 5 percent, men's and boys' clothing had advanced slightly, and footwear was up about 8 percent. By December 1950--6 months later--retail prices for men's and boys' clothing, women's and girls' clothing, and footwear advanced, and continued to

advance through most of the year 1951. By the end of 1951, women's and girls' wear cost the consumer slightly over 5 percent more than in June 1947, men's and boys' clothing about 13 percent more and footwear, almost 25 percent more. OPS controls were in effect for most of the year 1951, but the apparel component of the Bureau's Consumer Price Index reached a peak in September 1951 registering the impact of record high wool prices and high leather prices. By December 1952, apparel prices had declined to approximately the level of early 1951. The first 8 months of 1953 has shown little change on the average.

However, prices at primary markets and at wholesale performed somewhat differently. The important apparel grade of raw wool imported by the United States rose 77 percent in the pre-Korea period as the result of heavy worldwide buying. By December 1950, under the impetus of war scare buying, its price was 160 percent higher than in June 1947. During 1951, there was a sharp decline to a level 65 percent higher than in June 1947. In 1952 and 1953, it advanced slightly to the August 1953 level of 78 percent above June 1947.

The interesting facts in relation to this price history of raw wool is the price performance of articles made chiefly of this fiber. At no time over the period 1947-53 did the price movement of the finished articles match that of raw wool. At the highest point for raw wool, September 1950, the percentage rise for wool fabrics was about one-fourth of that for wool; men's and boys' tailored clothing had risen one-sixteenth as much and women's and girls' coats and suits, one-fortieth as much. This contrast is accounted for by the stability of price lines for such articles, accumulations of inventories of lower cost wools which weavers and manufacturers utilized in place of higher priced new supplies, and in great part, resistance of consumers to rising prices in this segment of the market. The period of 1950-1951 is often referred to by many in the industries producing wool goods as that in which they priced themselves out of the market. Prices for articles made of wool declined through 1952 and are at the moment relatively stable. However, it has been predicted by some members of the industry that recently granted wage increases in the needle trades may soon be reflected in higher retail prices for clothing made of wool.

In the field of cotton textiles, the market price for raw cotton and wholesale prices for articles made of this fiber generally moved in the same direction at the same periods of time. From July 1947 to June 1950, the pre-Korea period, the price for raw cotton went down about 9 percent, while the product groups utilizing chiefly cotton showed price declines of 4 percent to 12 percent. Prices for both raw cotton and its products rose sharply in the second half of 1950, after the Korean outbreak. In 1951, women's housedresses advanced slightly while most other groups of cotton products declined. During 1952 when the prices of the other groups sustained rather sharp price declines, housedresses continued at high levels. From the first of this year to July, raw cotton has risen somewhat in price while prices for most cotton products have generally been lower. Generally, cotton products are priced with a rather close relationship to the price of raw cotton, but historically dresses are an exception. They are usually priced to rigid price lines.

Changes in prices of synthetics at the wholesale level are somewhat different than for the other two major fibers and their products. In the pre-Korean period prices for synthetic yarns advanced about 7 percent while prices for rayon fabrics and women's full fashioned hosiery declined 13 percent and

17 percent. The outbreak in Korea sparked an upward movement for all groups except nylon yarn. During 1951 yarn prices were stable while fabrics fell about 20 percent and hosiery fell about 11 percent. Rayon yarns continued to decline in 1952 as did fabrics and hosiery. The price performance of the manufactured goods can only be accounted for by their production, with some sources indicating that production not only caught up with demand but outstripped the existing demand. The current situation is one in which the synthetic fiber and fabric markets are termed as very soft.

Leather products illustrate a picture different in some ways from that of textile fibers and products. During the pre-Korean period, June 1947 to June 1950, prices of raw materials, i.e., hides and skins, declined while wholesale prices of footwear and leather advanced. Retail prices of footwear also were going up. From that point to the present, it appears that the market price for raw materials directly influenced the prices for footwear at both wholesale and retail levels. In 1952, prices for footwear did not decline as much as the prices for leather, but as soon as raw material prices advanced in 1953 the decline in footwear at wholesale was virtually stopped and retail prices showed some increase.

Now to try to give you some idea of what you might expect for prices in the next 6 months to a year. There has been so much discussion on this subject in trade and general newspapers and magazines that I was somewhat puzzled as to what to tell you. For some of the newer synthetic fibers, it would be natural to expect some decline in prices of the products as production increases. In the footwear field, the expected cattle kill has been predicted at a relatively high level, thus providing ample supplies of leather. The supply outlook for the natural fibers is favorable and with increased utilization of synthetics, the natural supply will be extended even farther.

A systematic check of the trade papers for announcements by manufacturers of their 1954 lines shows that prices for most textile products are expected to be at approximately the same levels as 1953. There are a few increases that have been announced--all relatively small and a few decreases--also small. One trade paper indicated that buying is proceeding without letup as clothiers look for styles and price brackets that reduce consumer resistance.

Perhaps the best composite summary of recent opinions is expressed in an article in the Journal of Commerce for October 20. More than 400 business executives and economists were canvassed by the paper for their opinions. The summary states that "the U. S. economy now is going through a transition period that makes firm economic forecasts difficult. The post-Korea boom has ended and there are no signs that it will reappear." For the most part "industry looks for no important changes in the selling prices of their products. A number of executives indicated that they will attempt to maintain prices at present levels, but, if competition necessitates, will lower prices in order to maintain the markets for their products."

"Soft goods manufacturers also were inclined to look for lower selling prices for their products, although no great declines were expected."

In a tabular summary of the outlook for the first half of 1954, the article indicated that sales of soft goods are expected to be about 5 percent lower than 1953 and prices also slightly lower.

Table 1.—United States Mill Consumption of Selected Fibers,
for Selected Years

Year	Total consumption (million pounds)	Percent of total				
		Cotton	Wool	Manmade		Silk
				Rayon and acetate	Other	
1920.....	3,180	88.9	9.9	0.3	—	0.9
1925.....	3,549	86.6	9.9	1.6	—	1.9
1930.....	3,068	85.1	8.6	3.9	—	2.4
1935.....	3,494	78.9	11.9	7.4	—	1.8
1940.....	4,884	80.9	8.4	9.9	0.1	.7
1941.....	6,464	80.3	10.0	9.1	.2	.4
1942.....	6,905	81.6	8.9	9.0	.4	.1
1943.....	6,602	79.8	9.7	9.9	.6	—
1944.....	6,170	77.7	10.1	11.4	.8	—
1945.....	5,979	75.8	10.8	12.9	.9	—
1946.....	6,479	74.1	11.4	13.5	.9	.1
1947.....	6,416	72.8	11.0	15.4	.8	—
1948.....	6,398	69.7	11.0	18.0	1.2	.1
1949.....	5,439	70.6	9.4	18.2	1.7	.1
1950.....	6,828	68.5	9.5	19.8	2.1	.1
1951.....	6,890	71.2	7.2	18.5	3.0	.1
1952.....	6,432	69.6	7.4	18.9	4.0	.1

NOTE: Includes mill consumption for industrial and consumer goods. Industrial uses in 1950 and 1951 represented about one-fourth of total mill consumption.

Source: Extracted from Textile Organon, March 1953.

Table 2.—United States End Use Consumption of Selected Fibers for Selected Years

End use and year	Total consump- tion (million pounds)	Percent of total				
		Cotton	Wool	Silk	Linen	Manmade fibers
Men's and boys' apparel:						
1937.....	1,057	76.4	19.9	0.4	0.1	3.2
1949.....	1,187	73.9	16.6	.1	.1	9.3
1950.....	1,332	73.2	15.6	.1	.1	11.0
1951.....	1,267	72.8	15.6	.1	.1	11.4
Women's and misses' apparel:						
1937.....	580	46.5	15.5	8.1	.2	29.7
1949.....	821	36.7	19.0	.4	.2	43.7
1950.....	831	38.2	18.4	.4	.2	42.8
1951.....	805	38.5	15.8	.4	.1	45.2
Children's and infants' apparel:						
1937.....	208	85.6	9.1	--	--	5.3
1949.....	239	76.6	14.6	--	--	8.8
1950.....	288	79.9	11.1	--	--	9.0
1951.....	288	79.5	10.4	--	--	10.1
Household uses:						
1937.....	1,015	80.5	15.9	.1	.6	2.9
1949.....	1,302	75.8	16.8	--	.1	7.3
1950.....	1,520	73.9	17.4	--	.3	8.4
1951.....	1,401	78.5	9.8	--	.4	11.3
Other consumer-type products:						
1937.....	432	74.6	5.8	1.6	.2	17.8
1949.....	555	60.2	14.4	.2	--	25.2
1950.....	668	62.7	16.2	.2	--	20.9
1951.....	602	62.6	15.4	.2	--	21.8

Source: Extracted from Textile Organon, Supplement, August 1953.

Table 3.—Consumer Price Index for Apparel, January 1947–August 1953
(1947–49 = 100)

Month	Price index during year--									
	1947	1948	1949	1950	1951	1952	1953			
Year average.....	97.1	103.5	99.4	98.1	106.9	105.8	--			
January.....	93.6	100.4	102.7	96.7	103.8	107.0	104.6			
February.....	94.9	102.0	102.0	96.7	105.6	106.8	104.6			
March.....	96.3	102.6	101.4	96.8	106.2	106.4	104.7			
April.....	96.7	102.7	100.6	96.7	106.4	106.0	104.6			
May.....	96.7	103.2	100.0	96.5	106.6	105.8	104.7			
June.....	97.1	102.9	99.5	96.5	106.6	105.6	104.6			
July.....	96.5	103.0	98.5	96.4	106.3	105.3	104.4			
August.....	97.2	104.4	98.0	97.1	106.4	105.1	104.3			
September.....	98.1	105.1	97.9	99.2	109.3	105.8	--			
October.....	98.8	105.4	97.6	100.9	109.2	105.6	--			
November.....	99.4	105.3	97.4	101.6	108.5	105.2	--			
December.....	99.9	104.8	97.1	102.2	108.1	105.1	--			

Source: U. S. Bureau of Labor Statistics. Consumer Price Index, Apparel, 1913 Forward - Series E-1.

Table 4.--Wholesale Price Indexes for Selected Subgroups of Textile Products
and Apparel
(1947-49 = 100)

Date	Textile products and apparel	Cotton products	Wool products	Synthetic textiles	Silk products	Apparel
1947 average.....	100.1	103.1	90.6	96.6	1/	101.2
January.....	98.2	102.9	85.6	88.5	1/	100.4
February.....	99.0	102.9	86.1	95.1	1/	100.7
March.....	99.4	103.0	88.2	95.6	109.1	100.7
April.....	99.3	102.6	88.7	95.5	109.1	100.5
May.....	99.2	101.2	88.6	95.5	109.1	101.6
June.....	98.7	100.0	89.3	95.4	109.1	100.6
July.....	99.1	101.0	90.4	95.4	109.8	100.8
August.....	99.7	102.4	92.3	95.5	109.8	100.9
September.....	100.7	103.0	93.6	99.3	109.8	101.2
October.....	101.2	103.9	93.8	99.6	109.8	101.8
November.....	102.1	105.5	94.5	99.8	119.3	102.4
December.....	104.0	108.7	96.4	103.5	119.3	103.0
1948 average.....	104.4	105.1	104.4	108.3	92.8	103.2
January.....	105.1	109.8	97.7	105.7	92.8	103.7
February.....	105.7	110.1	99.6	108.0	92.8	103.8
March.....	105.4	108.7	101.0	108.0	92.8	103.9
April.....	104.5	108.2	101.6	107.8	92.8	102.6
May.....	104.9	107.9	103.8	107.9	92.8	103.1
June.....	104.3	106.7	105.1	107.9	92.8	102.3
July.....	104.6	105.4	105.9	108.1	92.8	103.3
August.....	104.6	104.7	107.0	108.9	92.8	103.3
September.....	104.3	102.5	107.8	110.0	92.8	103.2
October.....	103.7	99.9	107.9	110.1	92.8	103.5
November.....	103.0	98.7	107.1	109.2	92.8	103.2
December.....	102.9	98.5	108.3	107.9	92.8	103.0
1949 average.....	95.5	91.8	105.0	95.2	89.9	95.6
January.....	100.8	97.1	109.1	106.6	92.8	99.7
February.....	99.8	96.0	108.9	104.4	92.8	98.8
March.....	98.3	94.2	108.5	99.9	92.8	98.1
April.....	96.5	92.8	107.9	97.1	90.9	96.0
May.....	94.5	91.0	107.2	94.6	89.1	93.9
June.....	93.7	90.0	106.3	92.6	89.1	93.5
July.....	93.4	88.8	104.7	90.4	88.1	94.3
August.....	93.4	89.0	103.4	90.2	88.1	94.2
September.....	93.6	90.3	101.9	91.0	88.1	94.2
October.....	93.9	90.5	100.4	91.7	88.1	95.0
November.....	94.1	91.1	100.4	91.7	89.1	94.7
December.....	94.3	91.5	101.3	91.9	90.2	94.5
1950 average.....	99.2	99.5	112.9	95.3	99.7	96.3
January.....	94.3	92.1	101.6	92.3	90.9	94.0
February.....	94.4	92.4	101.8	92.5	90.9	94.0
March.....	94.1	91.5	102.0	92.4	88.4	94.1
April.....	93.0	90.4	102.0	91.6	88.1	92.6
May.....	92.8	89.7	102.8	91.4	88.8	92.5
June.....	93.3	90.0	105.3	91.3	88.8	92.7

See footnote 1 at end of table.

Table 4.--Wholesale Price Indexes for Selected Subgroups of Textile Products and Apparel--Continued
(1947-49 = 100)

Date	Textile products and apparel	Cotton products	Wool products	Synthetic textiles	Silk products	Apparel
1950--continued						
July.....	96.2	94.3	107.4	92.8	96.5	95.4
August.....	100.4	102.1	112.4	97.2	108.1	96.9
September.....	104.3	107.7	123.0	99.0	108.1	98.5
October.....	107.4	111.3	127.4	100.4	111.9	100.8
November.....	109.1	114.6	130.7	101.0	115.1	101.5
December.....	111.4	117.8	138.3	101.7	122.1	102.3
1951 average.....	110.6	111.5	144.6	97.0	128.8	103.8
January.....	114.6	118.9	153.8	103.1	138.6	104.1
February.....	115.7	119.2	160.1	103.9	146.3	104.4
March.....	115.9	118.9	164.7	102.3	146.3	104.3
April.....	115.5	118.8	164.5	99.7	138.3	104.1
May.....	114.8	117.8	161.8	98.7	124.9	104.1
June.....	112.9	116.0	151.7	98.0	133.7	103.7
July.....	111.6	113.0	145.5	96.7	116.1	105.0
August.....	108.5	106.9	140.0	94.0	112.3	104.5
September.....	105.9	102.5	129.8	92.9	117.9	104.1
October.....	103.9	100.8	120.8	91.5	122.5	103.3
November.....	103.9	102.3	122.0	91.5	123.2	102.3
December.....	104.0	103.3	120.3	91.7	125.3	102.1
1952 average.....	99.8	98.5	113.0	88.9	133.7	100.0
January.....	103.3	102.8	118.0	91.4	126.0	101.7
February.....	102.1	101.0	114.4	89.9	130.2	101.7
March.....	100.6	99.6	111.8	87.3	129.1	101.6
April.....	99.9	98.6	109.2	86.7	128.4	101.2
May.....	99.3	97.2	111.7	86.8	128.8	100.8
June.....	99.0	95.4	112.8	83.6	129.8	100.3
July.....	98.9	96.1	113.9	89.2	134.7	99.5
August.....	99.1	97.6	113.3	90.5	139.3	99.1
September.....	99.5	98.9	112.4	89.9	139.3	99.3
October.....	99.2	99.2	113.2	89.5	140.0	98.4
November.....	98.6	98.4	112.6	89.0	139.3	98.3
December.....	98.2	97.7	112.6	87.8	139.7	98.3
1953:						
January.....	98.8	97.0	113.0	88.1	141.4	100.0
February.....	98.5	96.1	111.5	88.3	141.4	99.9
March.....	97.5	93.1	111.9	87.9	141.4	99.6
April.....	97.4	92.9	111.3	88.0	131.6	99.9
May.....	97.6	93.3	112.0	87.4	133.0	99.9
June.....	97.4	93.4	111.6	87.5	134.7	99.4
July.....	97.5	94.1	111.7	87.5	134.7	99.3
August.....	97.5	94.1	111.8	86.7	134.7	99.3
September.....	<u>2/</u> 97.2	<u>2/</u> 93.7	<u>2/</u> 111.2	<u>2/</u> 86.7	<u>2/</u> 134.7	<u>2/</u> 99.3

1/ Not ascertained.

2/ Preliminary.

Source: U. S. Bureau of Labor Statistics.

Table 5.—Wholesale Price Indexes for Selected Subgroups of Hides,
Skins and Leather Products
(1947-49 = 100)

Date	Hides, skins and leather products	Hides and skins	Leather	Footwear
1947 average.....	101.0	109.1	105.8	96.1
January.....	95.8	93.0	98.2	94.1
February.....	96.5	97.7	99.3	94.1
March.....	97.2	100.3	100.2	94.1
April.....	96.2	94.9	99.6	94.5
May.....	95.5	91.5	98.4	95.3
June.....	96.3	95.5	99.7	95.3
July.....	98.9	105.7	101.4	95.5
August.....	101.6	113.8	103.6	96.8
September.....	102.6	115.4	107.5	96.1
October.....	108.2	128.1	120.0	97.0
November.....	112.1	138.7	123.1	98.7
December.....	111.5	134.4	118.6	101.0
1948 average.....	102.1	102.1	100.8	102.7
January.....	108.8	123.0	113.3	102.0
February.....	103.7	107.3	102.9	102.0
March.....	99.7	90.1	98.5	102.5
April.....	101.1	96.2	100.0	103.4
May.....	102.4	103.1	102.1	102.4
June.....	102.3	102.3	102.5	102.3
July.....	103.1	106.7	102.2	102.4
August.....	101.8	101.8	98.0	103.5
September.....	100.7	98.4	96.0	103.7
October.....	99.8	94.7	96.0	103.4
November.....	101.5	102.2	100.2	102.2
December.....	100.6	98.8	98.3	102.2
1949 average.....	96.9	88.9	93.4	101.3
January.....	100.4	99.1	98.2	101.9
February.....	97.8	88.7	93.9	101.9
March.....	96.4	84.9	92.3	101.8
April.....	95.9	85.3	91.4	101.4
May.....	95.6	85.2	91.1	100.7
June.....	95.7	86.4	91.2	100.7
July.....	94.6	82.4	89.7	100.8
August.....	95.7	87.1	91.5	100.8
September.....	96.9	91.7	93.6	100.8
October.....	97.8	93.5	95.9	100.8
November.....	98.1	92.9	96.0	101.7
December.....	97.6	89.2	95.6	102.1
1950 average.....	104.6	103.0	107.0	106.5
January.....	96.4	85.8	94.6	101.6
February.....	96.1	84.9	93.9	101.6
March.....	97.1	88.0	95.3	101.9
April.....	97.2	87.4	96.0	101.9
May.....	98.1	89.3	97.1	102.7
June.....	99.1	94.3	98.2	102.7
July.....	103.6	103.3	109.5	103.3

Table 5.—Wholesale Price Indexes for Selected Subgroups of Hides,
Skins and Leather Products--Continued
(1947-49 = 100)

Date	Hides, skins and leather products	Hides and skins	Leather	Footwear
1950--continued				
August.....	106.5	106.8	111.9	106.6
September.....	110.6	120.5	116.3	108.0
October.....	112.9	120.3	118.1	112.0
November.....	116.6	125.3	122.1	116.0
December.....	121.4	130.8	130.5	119.7
1951 average.....	120.3	119.0	124.7	121.6
January.....	127.3	140.9	137.3	122.3
February.....	127.7	134.8	137.7	124.7
March.....	126.9	134.0	137.8	123.1
April.....	126.5	130.7	137.8	123.1
May.....	126.2	130.3	137.4	122.9
June.....	124.7	129.4	132.6	122.6
July.....	122.3	124.0	127.7	122.1
August.....	118.0	113.3	118.7	122.0
September.....	118.0	111.5	120.4	121.9
October.....	113.6	109.5	110.1	119.4
November.....	107.0	87.6	100.3	118.0
December.....	105.1	81.7	98.7	116.5
1952 average.....	97.2	63.0	89.4	112.4
January.....	102.2	69.7	97.0	115.9
February.....	99.5	63.7	89.5	116.1
March.....	98.0	59.6	87.6	115.9
April.....	94.1	49.7	84.4	112.9
May.....	94.7	58.1	84.5	111.1
June.....	95.9	59.5	88.9	111.0
July.....	96.2	61.8	89.3	110.6
August.....	96.5	64.4	89.3	110.6
September.....	96.5	64.4	89.3	110.6
October.....	96.6	65.0	89.9	110.6
November.....	97.6	69.2	90.1	111.0
December.....	99.0	70.6	92.9	112.0
1953:				
January.....	97.3	62.1	92.0	112.0
February.....	98.0	66.5	91.9	112.1
March.....	98.1	64.8	93.5	112.1
April.....	97.9	66.4	92.7	111.5
May.....	100.4	74.8	97.3	111.5
June.....	101.0	76.3	98.0	111.7
July.....	100.0	73.4	96.1	111.7
August.....	99.9	74.6	95.0	111.8
September.....	1/ 99.7	1/ 74.2	1/ 94.5	1/ 111.8

1/ Preliminary.

Source: U. S. Bureau of Labor Statistics.

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UNITED STATES DEPARTMENT OF AGRICULTURE
Bureau of Agricultural Economics

THE OUTLOOK FOR COTTON

Statement presented by Frank Lowenstein at the
31st Annual Agricultural Outlook Conference,
Washington, D. C., October 28, 1953

DEPARTMENT OF AGRICULTURE
OCT 30 1953

The outlook for the next year is one of large supplies of, and moderate demand for, cotton. This situation will cause cotton growers to make sharp adjustments in their plans for the 1954 crop. It also emphasizes the need for examination of our long range demand prospects.

For the first time since 1950, cotton growers are faced with marketing quotas and acreage allotments in 1954. The actual supply of upland cotton during the 1953-54 marketing year is estimated to be 25 percent larger than the normal supply and the actual supply of extra-long staple is estimated to be almost twice the normal supply. Consequently, marketing quotas on the 1954 crop of 10 million bales for upland cotton and 30 thousand bales for extra-long staple cotton were proclaimed by the Secretary of Agriculture on October 9.

If production is the same as these quotas, the 1954 cotton crop will be more than a third smaller than the 1953 crop. Such a sharp reduction in the cotton crop would, of course, mean a sharp reduction in the cash receipts of farmers from the sale of cotton. The current quotas and acreage allotments are required by legislation now in effect. However, bills amending the current legislation to permit larger acreage allotments were introduced in the last session of the Congress. If such amendments are enacted into law, the 1954 crop could be larger than the 10 million bales called for by the October 9 proclamation.

The supply of cotton in the United States for the 1953-54 marketing year is estimated at 21.0 million running bales including production, the beginning carryover and imports. Production is larger than the quantity likely to be used in, and exported from, the United States and the carryover next August 1 is expected to be at the highest level of the postwar period, about 8.4 million bales.

Of the 5.5 million bales in the carryover on August 1, 1953, about 2 million bales were held by the Commodity Credit Corporation. By August 1, 1954 CCC holdings are expected to increase to about 5 million bales. Entries into the Commodity Credit Corporation loan from the 1953 crop by October 9 were close to 1 million bales, compared with 21 thousand from the 1952 crop at about the same date a year earlier. The more rapid entry into the 1953 crop loan was probably caused by the fact that market prices were below loan levels while a year earlier prices were above the loan.

As shown in figure 1, the price of cotton has not often been below the Commodity Credit Corporation loan rate since the CCC started making cotton loans in 1933. This is particularly true since the start of the 1941-42 marketing year.

However, the average 10 spot market price for Middling 15/16 inch cotton was almost 20 points below the average loan rate for this quality at the same markets during September 1953. During October prices continued at about the same level and on October 20 the average 10 spot market price was 32.66 cents, compared with the September average of 32.81 cents per pound.

Domestic mill consumption of cotton in 1953-54 is expected to be between 9 and 9.5 million bales compared with the 9.5 million bales consumed in 1952-53. Exports are expected to increase from the 3.0 million bales of 1952-53 to about 3.3 million bales.

Exports of cotton yarn and fabric are expected to be smaller during the current season than they were in 1952-53, delivery to the military forces of cotton textiles will probably be smaller, and the consumption of synthetic fibers may hit a record high of about 1.6 billion pounds in 1953. These factors indicate a decline in domestic mill consumption of cotton.

Foreign producing countries are starting the 1953-54 marketing year with relatively large stocks of cotton. These stocks will probably be sharply reduced by August 1, 1954. However, production of cotton abroad will probably decline more than 0.8 million bales from the level of 13.7 million bales of 1952-53 and foreign free world consumption is expected to be maintained at the high level of about 16.5 million bales. The net result of these forces will probably be a small increase in U. S. exports of cotton.

Loans and grants from the U. S. Government to foreign countries will probably finance the purchase of about 1.5 million bales of cotton in 1953-54, compared with about 1.2 million in 1952-53. These funds totaled about 221 million dollars last season and are expected to be somewhat larger during the current marketing year.

The outlook for the next 12 months emphasizes the fact that cotton producers are faced with some sharp adjustments in 1954. If cotton producers hope to avoid adjustments of this magnitude after 1954, it is necessary to have some idea of the size of the demand for cotton. The demand for cotton can be divided into two segments, domestic mill consumption and exports. I shall try to outline the forces which cause domestic mill consumption to fluctuate and Dr. Palmer will cover export demand.

Some of the forces which cause domestic mill consumption of cotton to fluctuate are mentioned above. However, there are others which are equally or more important.

When we look at the total cotton consumption in terms of thousands of bales, we often forget that this total is the sum of the consumption of each individual in the country. The population of the United States increases each year as shown in figure 2. The population of the U. S. by January 1960 will probably be in the neighborhood of 177 million people, whereas at the present it is about 160 million. If cotton consumption per person were to remain constant at about 28 pounds per person, the population growth would cause an increase in cotton consumption of 800 thousand bales between 1954 and 1960.

What happens when we eliminate the influence of growing population and look at the average consumption per person? The per capita consumption of cotton in the United States has fluctuated from year to year, but has not shown a tendency over time to increase or decrease. For example the per capita consumption of cotton in 1952 of 28.2 pounds was only slightly higher than that of 1929, 27.7 pounds.

Analysis has shown that an increase in economic activity causes the amount of cotton consumed per person to increase. On the other hand, increases in the price of cotton and in the amount of synthetic fiber consumed per capita cause the per capita consumption of cotton to decline.

Economic activity as measured by the Index of Industrial production has increased materially over the past 24 years. For example in 1952 the index was about twice as high as it was in 1929. However, the consumption of synthetic fibers has shown a rather steady upward trend over the past 3 decades, as shown in figure 3. The per capita consumption of synthetic fibers has filled the larger demand caused by higher levels of economic activity and cotton consumption has just about held its own.

Until recently, synthetic fiber consumption has tended to increase regardless of variations in economic activity. Improvement in the quality of rayon and acetate and the use of these fibers in more and more end uses have accounted for this growth. Recently, however, variations in economic activity have tended to cause the consumption of rayon and acetate to vary from the use indicated purely by trend over time. Part of this variation can be traced to the fact that the level of use is too large for the growth factor to completely cancel out year to year variations in economic activity. Variations in economic activity affect the output and sales of many end products in which rayon and acetate are used. This in turn causes the mill consumption of rayon and acetate to vary. In addition, rayon and acetate are beginning to feel competition from the newer synthetics.

Consumption of these synthetics is still small, less than 2 pounds per capita in 1952. However, their consumption is showing the same kind of growth trend that rayon and acetate showed in the 1920's and 1930's. If this growth pattern continues, total synthetic fiber consumption may continue to grow, although it will probably be more responsive to changes in economic activity than it was before World War II.

Analysis has shown that variations in economic activity, synthetic fiber consumption, and the price of cotton account for about 79 percent of the variation in the per capita consumption of cotton during non-war years. Although we do not know all the forces accounting for the remaining 21 percent, three important factors are probably variation in inventories of textiles, use by our military forces, and exports of cotton textiles. We know very little about inventory variations and military use depends upon the size of our Armed Forces and the extent of military action in which our Armed Forces are engaged.

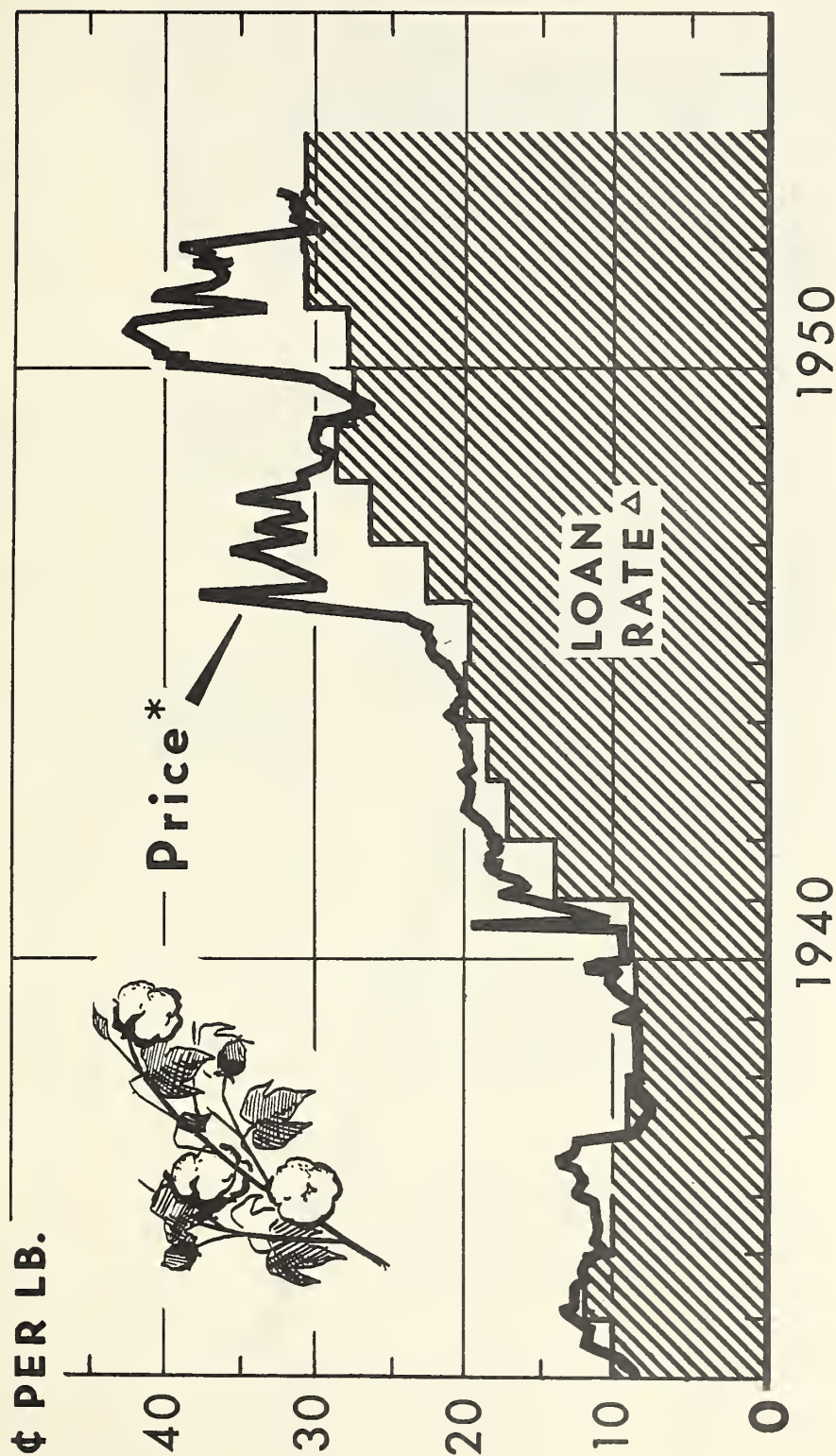
Our exports of cotton yarn and fabric during the 1948-52 period, on the average, was equivalent to about 480 thousand bales. This was approximately 320 thousand bales larger than the 1935-39 average. However, such exports may decline from the 1948-52 level in the future. Exports in 1953 will probably be equivalent to less than 400 thousand bales.

It now becomes quite apparent that the mill consumption of cotton in the United States is dependent on many variables. These include population, economic activity, synthetic fiber consumption, variations in inventories of textiles, use of cotton textiles by the military forces, and exports of cotton textiles. The consumption of cotton in the future depends upon the level of these variables. For illustration purposes, we can assume these levels, but we cannot hope to forecast cotton consumption very accurately very far into the future. Assumptions of a high level of economic activity, a population of about 170 million people, exports of yarn and fabric equivalent to about 300 thousand bales of cotton, synthetic fiber consumption of about 10.5 pounds per person, and military purchases of cotton textiles at about the current level would probably mean cotton mill consumption in the 1957-58 marketing year of about 9 to 10 million bales.

I hope that the preceding discussion points up the broad forces which affect the consumption of cotton by our domestic mills. Dr. Palmer of the Foreign Agricultural Service will discuss the forces affecting our exports of cotton.

: This represents the highlights of the 1954 Outlook issue :
: of the Cotton Situation for October 1953, a processed :
: publication by the Bureau of Agricultural Economics. :
:

COTTON PRICES AND LOAN RATES



BY MONTHS, YEAR BEGINNING AUGUST

* AVERAGE PRICE RECEIVED BY FARMERS

Δ BASIS MIDDLING 7/8-IN. STAPLE, AVERAGE LOCATION

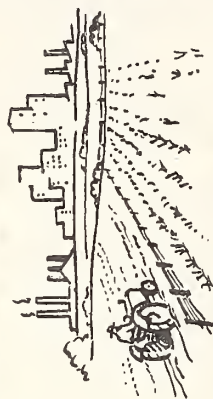
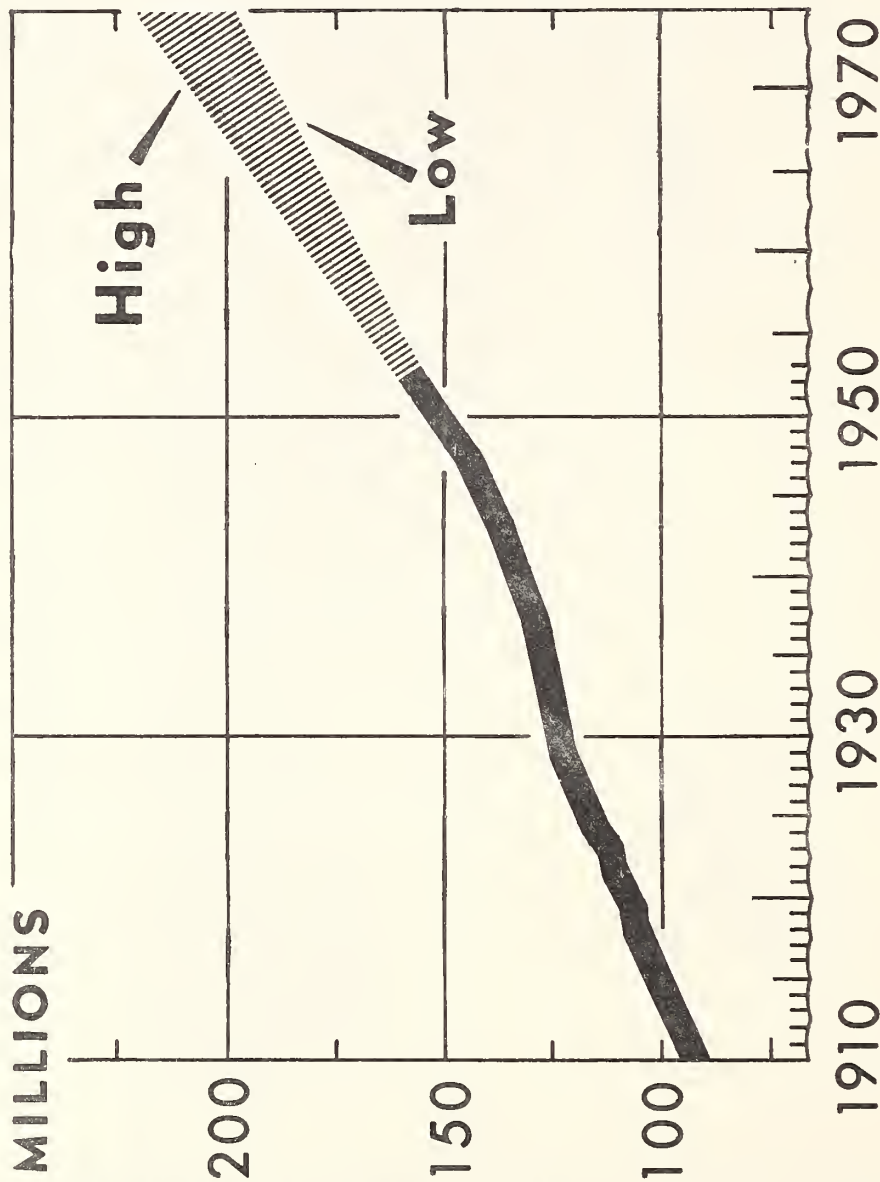
U. S. DEPARTMENT OF AGRICULTURE

NEG. 47293-XX BUREAU OF AGRICULTURAL ECONOMICS

FIGURE 1

With Projections to 1975

GROWTH OF U. S. POPULATION



1910-53 ESTIMATES AND 1953-75 PROJECTIONS FROM CENSUS BUREAU

FIBER CONSUMPTION PER PERSON

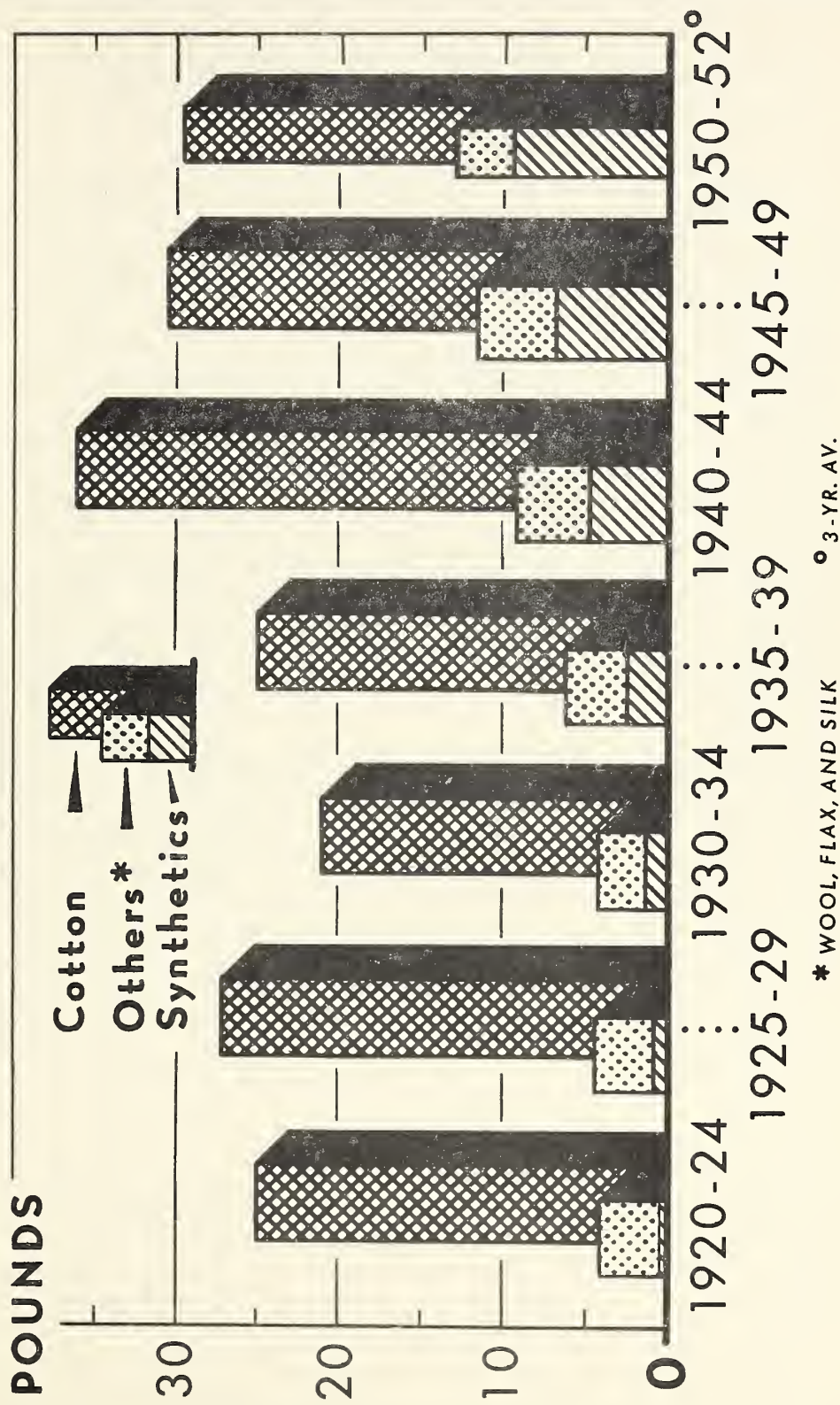


FIGURE 3

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Bureau of Agricultural Economics

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DEPARTMENT OF AGRICULTURE

OUTLOOK FOR DOMESTIC DEMAND IN 1954

Talk by Nathan M. Koffsky
at the 31st Annual Agricultural Conference
Washington, D. C., October 26, 1953

For the past three years this Annual Conference has met in a setting in which there was considerable assurance that prospective demands would increase in the year ahead. Rising demands came from all sectors of the economy--from the Federal Government for an expanding defense program, from State and local authorities for schools, highways and other public construction, from business for new plants, modern equipment and larger inventories, and, as incomes rose, from consumers who increased their expenditures for food, housing and other goods and services which make up a rising standard of living. Now, with demands from some segments of the economy leveling off and in a few instances declining, there is a real possibility that the total demands on the economy in 1954 may be less than in 1953. Yet, the total reduction in economic activity and employment that appears to be in prospect for 1954 is small. And its restrictive effect on the flow of income to persons may well be offset by lower income taxes starting next January, the continued rise in wage rates in some sectors, and an increase in unemployment compensation payments. Total consumer income available for spending in 1954 is likely to be about as large as in 1953, and the domestic demand for food and other farm products also should be about as good.

Demands on the economy have increased sharply in the past year. The flow of expenditures by Government, business and consumers rose 26 billion dollars on an annual rate basis from the third quarter of 1952 to the third quarter of 1953, a gain of 7-1/2 percent. In the preceding year, the increase in total expenditures totaled some 13 billion dollars, a gain of only 4 percent. The rise in demand this year was matched by an increase in output. Price changes have been small. The Consumer's Price Index is currently less than one percent above a year ago, and most of that was due to rising rents and charges for other services. Retail prices of food and clothing are down slightly. The Wholesale Price Index is currently lower than a year ago, but by less than 2 percent. Drops in wholesale prices of farm products and processed foods were almost offset by slightly higher prices of industrial commodities.

While part of the increased output in the third quarter over a year ago reflected slightly higher levels of employment and a bit longer work-week, a very substantial part was due to a sharp gain in productivity per man hour. This has been a very important factor in the gradual transition of the economy to a more competitive situation. By and large, sellers' markets have turned into buyers' markets.

In preparing the basis for appraising the outlook in 1954, it is important to note where the increased demands over the past year came from. Comparing the third quarter of 1953 with the same quarter in 1952:

The annual rate of federal expenditures for national security programs rose 2.3 billions--only 9 percent of the increase in total expenditures.

The rate of State and local Government expenditures, mostly for schools, streets and highways rose 1.8 billion dollars--7 percent of the total.

Investment outlays, including increases in each of housing construction, new business plant and equipment, business inventories and United States investment abroad, rose almost 6 billions--22 percent of the total increase.

The rate of consumer expenditures rose 16 billions--62 percent of the total. Consumers spent about 6 billions more for automobiles and other durable goods, over 4 billions more for food, clothing and other nondurables, and almost 6 billions more for rent and other services.

It is clear that the business boom of the past year has not depended significantly on expansion in the defense program. In fact, programs for the national security now account for a slightly smaller percentage of our total economic activity than a year ago. It is also clear that to a large extent the past year has seen a consumer boom. Consumer incomes, after taxes, have risen some 13 billion dollars, despite the decline in the income of farmers. In addition, consumer credit outstanding rose about 4 billion dollars, mostly for the purchase of automobiles. Thus, the increase in incomes and the greater use of credit have approximately equaled the rise in consumer expenditures. The savings rate of individuals as compared with income has declined a little from a year ago but this probably reflects more the increase in consumer indebtedness rather than a lessening in the accumulation of liquid assets.

What are the demand prospects in the year ahead? First, let us add up such information as we have about demands from the Government sector. Spending for national security programs in the current fiscal year is likely to be less than in the fiscal year which ended last June. In fact, the rate of security outlays was reduced 2 billion dollars in the July-September quarter this year from the previous quarter. Whether or not further reductions are realized as presently planned, depends largely on developments in the international situation, and thus, subject to a considerable degree of uncertainty. It should be noted, moreover, that most of the reduction in defense outlays for the current fiscal year, as indicated in the Budget Review of August 27, was accomplished in the third quarter. While further declines may well be realized during 1954, the steady rise in State and local Government expenditures will be an offsetting factor amounting to 1-1/2 billion or so.

Some decline in private investment outlays appears probable.

Business investment in new plant and equipment, which has been stimulated by rapid tax amortization on defense-related facilities, has been appreciably higher so far this year than last. Much of the defense-related expansion in capacity will be completed by the end of this year, unless new considerations stemming from international developments should require otherwise. The productive plant of American industry has generally been greatly enlarged in recent years and it might well be expected that business outlays for plant and equipment may be less next year than this. The survey of anticipated capital expenditures conducted by the Securities and Exchange Commission and the United States Department of Commerce indicated a 5 percent reduction in the fourth quarter of this year from the third. Yet there are good reasons why any further decline would be small. The shift to a more competitive economy places sharp emphasis on cost reduction even though there may be less on expanding plant capacity. Large depreciation reserves and undistributed earnings are available to finance this. Furthermore, the boom in commercial construction which is following the trend to the suburbs seems likely to continue in 1954. In view of the continued cost-price squeeze in agriculture, farm investment in buildings and equipment may remain at reduced levels.

Nonfarm housing starts have declined since last spring, more than is accounted for by seasonal changes. The current annual rate of starts is somewhat under one million units compared with a rate of over 1.1 million units last April. While residential construction may decline some further over the year ahead, the formation of new households continues large at a rate of some 950,000 a year. Recent reports in the press indicate that mortgage financing is becoming more readily available.

The business inventory position is perhaps the most sensitive and most vulnerable segment of the economy. Through most of 1953, there has been a considerable rise in business inventories, which are 6 billion dollars larger than a year ago. But the level of business sales has also increased proportionately and the ratio of inventories to sales is now about the same as a year ago. Although the inventory ratio is higher than in most other postwar years, it is substantially below the prewar ratio. It seems quite unlikely that without further expansion in the economy, business will continue to accumulate inventories next year. This will likely be a minus factor for the economy as a whole since part of current production is going into inventories. Yet, unless business sales turn down significantly, there is not likely to be real pressure to reduce the over-all level of inventories, although some items such as used automobiles may be affected. One encouraging factor is that the rate of inventory accumulation has been slowing in the second half of 1953.

There does not seem to be any significant change in view in our net trade position with foreign countries. Imports are running higher than a year ago, and total exports are also larger, despite the reduced level of agricultural exports. If foreign aid continues in the next fiscal year, some countries will continue to accumulate dollar holdings.

Turning to the consumer sector, some decline in private investment and the possibility for some net reduction in total Government expenditures suggest a slightly lower level of employment and perhaps some reduction in the work-week, particularly in overtime. Yet there are offsets in view which appear likely to absorb much of the impact on incomes of some lessening in economic activity. Income tax reductions will provide some 3 billion dollars to consumer spendable income after January 1, even though the increase in social security payments scheduled under existing laws may offset perhaps 3/4 of a billion. Unemployment compensation would also cushion the loss of income for those who may become unemployed. Spendable income to consumers may well average about the same in 1954 as in 1953, and a year from now is not likely to be much under current record rates. Some expenditures by consumers may be reduced, particularly for some durable goods where 1953 purchases have been at a very high rate and consumer credit an important factor. But consumers expenditures for food should not be much affected, if the level of income is held. Food expenditures have been maintained at a rate of 27 percent of consumers spendable income through most postwar years including the recession year, 1949.

The arithmetic of this appraisal points to only a relatively small reduction in total demands on the economy from Government, business and consumers. One might well inquire whether the additive effects of a number of relatively small reductions might not be greater than their sum, particularly if a feeling of pessimism should pervade the economy. Yet it seems quite logical that this need not be cumulative. Some adjustments have already been made--the reduction in defense outlays in the third quarter, the possibility that most of the reduction in business plant and equipment outlays is occurring in the current quarter, the gradual decline in housing starts since earlier this year, and the slackening rate of inventory accumulation in recent months. There is real prospect that such others as may occur will also come in piecemeal fashion. While the human equation--consumer behavior--is still pretty much unknown, there is little to suggest a tightening of the purse strings, if incomes are maintained. Almost 4 million new babies each year are not conducive to increasing the savings rate. And, if there is one thing that stands out in the broad sweep of our history, it is that the American consumer increases his takings of goods and services as fast as he can--and gives ground very reluctantly and only under pressure.

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UNITED STATES DEPARTMENT OF AGRICULTURE
Bureau of Agricultural Economics

THE OUTLOOK FOR EGGS AND POULTRY IN 1954

Statement presented by Edward Karpoff, at the 31st
Annual Agricultural Outlook Conference,
Washington. D. C. October 29, 1953

The year 1953 has been a good one so far for poultrymen. It is likely to wind up with the highest annual average egg price in recent times, and an annual average broiler price in line with the best ones received since 1943. While turkey prices are hardly any higher than the levels which last year induced Government purchases of the surplus, this year's crop was produced with feed priced 5 to 12 percent below last year. Of course this feed advantage affected all poultrymen.

In addition to favorable price relationships, poultrymen's positions were enhanced by their high 1953 level of output. Egg production for the year will be a record, broiler production for the year likewise. Turkey production will be second only to the excessive output of 1952. Despite these high levels of production, the population of the U. S. has been increasing at a rate which reduced these outputs, on a per capita basis, to levels which are not excessive when judged by the per capita consumption in some recent past years. Coupled with a continuing strong demand resulting from high employment and good consumer incomes, this has resulted in a favorable situation for poultrymen.

From this 1953 background of favorable price relationships and high-level production, we look ahead into 1954, and find a continued favorable outlook. Demand looks good, based on the expectation of almost the same kind of business conditions as we presently are enjoying. The increase in population means an increase in the number of people eating eggs and poultry meat. Feed prices for the next 6 months or so seem set on a stable course. The volume of poultry and egg production to be forthcoming in 1954, to the extent that it can presently be foretold, seems moderate in contrast with the price incentives which egg and chicken producers faced in the spring of 1953.

Turning now to individual commodities, the key to the 1954 egg outlook lies in the restraint by which farmers conducted themselves in planning their 1953 springtime chick purchases. The number of chickens they raised for laying flock replacement was 615 million, about the same as a year earlier. This relatively low replacement occurred despite very high springtime egg prices in 1953.

On account of this unchanged rate of raising birds for laying flock replacement, the 1954 egg production for the first 3/4 of the year seems set at only slightly above the 1953 level. On October 1, the number of potential layers on farms was 1 percent above a year earlier. The increase was entirely among hens, and not among pullets, either laying or not yet laying. From this, I would expect the 1954 laying flock, for the period until its size is substantially altered by the addition of 1954-raised pullets, to be about the same as or only slightly larger than in 1953.

This 1954 laying flock, about unchanged or only slightly larger than the 1953 size, will probably fall in line with trend and lay more eggs per bird than the record of the year before. The trend toward higher egg production per bird will be most apparent in the fall and winter, so springtime egg production will not be affected much. Therefore, I expect 1954 springtime egg production to be only slightly larger than the comparable 1953 output.

Egg prices in the spring of 1954 are likely to be almost as high in corresponding months of 1953. Some of the same factors that supported 1953 prices are likely again to be effective. On a per capita basis, supply in the spring will be hardly any larger than a year earlier. The quantity available for storage, after considering the requirements for immediate consumption and for hatching, will hardly be any larger than a year earlier. The demand for storage, at least from the frozen egg sector, is likely to be good.

My reasoning is that one of the pressures which kept egg prices favorable in January and February 1953, and which prevented their decline in the 2 or 3 months following, was the extremely strong demand from egg breakers. The long-term trend for storage of shell eggs is downward, and frozen egg is now about 2/3 of the usual year's storage stock.

The frozen-egg industry came into 1953 with very small carryover from the year before, and to keep supplies moving was compelled to begin operations early in the season. The consequent purchase of eggs, before prices had fallen to the full "normal" seasonal extent, helped to establish prices at a level averaging about 44 cents as the U. S. price received by farmers, during the spring. This contrasted with 34 cents per dozen in the previous spring.

Frozen egg stocks right now are lower than they were a year earlier, by 11 percent. The recent monthly rates of use seem to be greater than in 1952. So we could well be heading toward a repetition of the 1953 situation, where a strong demand for breaking early in the season, helped to maintain springtime prices.

This sort of demand from breakers, plus expected continuation of good economic conditions, plus the expectation of only a modest increase in volume of springtime egg production, will combine to hold 1954 springtime egg prices at levels favorable to producers.....not as high as 1953's springtime prices, but probably much closer to 1953 than to 1952.

If the egg price situation develops favorable, as expected here, farmers will raise more chickens in 1954 than they did this year. The favorable price relationships of this past season did not induce a production increase. If we get favorable relationships for a second year, particularly at a time when income from some other farm enterprises is disappointing, we may find a greater interest in keeping chickens for eggs. I anticipate it.

The extent of the increase in chickens raised will affect the supply of eggs in the last few months of 1953, and in most of 1954.

If the increase in chickens raised is on the order of 5 or 8 percent, which I consider quite likely if egg prices hold up well through the hatching season, the slide-off in egg prices in the winter of 1954-55 may be quite steep. Supplies at that time will reflect not only an increased number of layers, but also the steady year-to-year increases in monthly rates of lay.

If there is a substantial increase in the number of chickens raised in 1954, it will also result in increased egg supplies in the spring of 1955.

After egg production, the next biggest enterprise in the poultry industry is broilers. That enterprise has grown almost every year since it was begun, but the rate of growth has now slowed from an average annual rate of 24 percent for 1947-52 to perhaps 5 to 7 percent in 1953.

At the slower rate of growth, broiler prices are much more stable than in the boom years just past. For example, through September, this year the extreme high and low in U. S. monthly average broiler prices received by farmers are only 2 cents apart; in 1951 they were 5 cents apart.

Part of the reason for the greater price stability in the past year, and that expected for the future, is that broiler output has become steadier the year-round. Also, marketing channels are better established, and consumer demand is "educated" to accept chicken in larger quantities than in the past. This doesn't protect the industry against long-term changes in the price level, but it does cushion the abrupt short-term fluctuations which have given the broiler business the reputation of being "risky".

For 1954, there is no reason to expect a rate of growth in the broiler industry much different from the 5 to 7 percent likely for 1953.

The 10 percent increase that occurred in 1952 was not uniformly spread throughout the United States. Del-Mar-Va, the oldest and largest producing area, actually decreased its output in that year (but it has since recovered some of the loss.) The 1953 trends among regions will not be fully known until after the new year but States outside the older specialized production areas are likely to show greater percentage increases than the older areas. Such a trend is likely to continue in 1954.

Broiler prices in 1954 might well average near the 23 cents per pound that is the U. S. average for the first 9 months of 1953. Such a price would be 1 cent lower than the 1952 average, which included 3 very favorable months near the end of the year, but it will be partly compensated for by the new level of feed prices. Current feed prices, which will likely extend well into 1954, are equivalent to 1 or 2 cents per pound savings in the costs of producing broilers, compared with 1952 feed prices.

Although the discussion here is in terms of average broiler prices, it is a fact that the typical broiler producer does not sell his broilers for an annual average price. Instead, he sells for the prices current on the particular days when his three or four annual broods are ready for sale. The day-to-day and week-to-week fluctuations in broiler prices are one of the reasons why growers have taken so readily to broiler financing schemes, which give them partial protection against extremely low prices.

As a factor in the expected continuation of the broiler price into 1954, we expect little change in red meat supplies for most of 1954. Beef will continue plentiful, and pork supplies may increase after mid-year, making pork prices late in that year lower than at present. If that prospect becomes more concrete about mid-year, broiler growers should review their plans at that time. The competitive relationships between broilers and the red meats have not been adequately statistically demonstrated, but I would nevertheless become cautious in my broiler plans if a substantial increase in pork supply became apparent.

For turkeys, the most imminent outlook questions concern that part of the 1953 crop which remains to be marketed. If farmers have adhered to their marketing intentions stated in August, about half of the 1953 crop of 56 million turkeys remains to be marketed in November and December.

In numbers of birds, this proportion of the 1953 crop for November and later marketing amounts to about a 12 percent reduction from the number of turkeys marketed in the same months of 1952. Earlier in the marketing season, however, the 1953 supplies more closely approached the 1952 levels, if farmers have stuck to their August marketing intentions.

The indicated 12 percent decline from last year's market volume is about half offset by diversions in those months last year to USDA's turkey purchase program.

The results of the 1953 marketings of turkeys will have a considerable bearing upon farmers' plans to raise turkeys in 1954. Even before farmers' demands for poults have crystallized, however, breeders and hatcherymen have to plan for the coming year, and their preparations are often reflected to a considerable extent in the number of turkeys raised, since hatching eggs and poults are too valuable to discard in the event of surplus, and cannot be conjured up from nothing in the event of scarcity.

Along this line, the first of an expanded line of BAE reports on turkey numbers shows that more turkeys intended for breeding have been blood-tested so far this season than in the same months of last season. The percentage of increase revealed by the report - 33 percent - very possibly exaggerates the likely increase in next year's turkey production. In the months covered by the report, only 9 percent of the 1952-53 blood-testing work was done, while 91 percent followed in the months of October 1952-June 1953. This is too short an experience from which to predict the extent of a 1954 increase, since the report may simply indicate an early season, or it may induce breeders to review their plans for the year. However, the report does suggest an increase in 1954 poult production although not necessarily of the 33 percent magnitude by which early-season turkey-testing has increased.

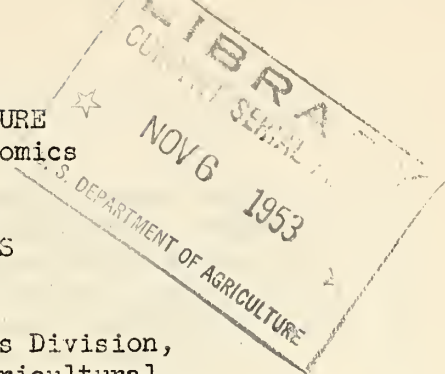
The 33 percent rise in birds tested is a weighted average of 5 percent for heavy breeds and 80 percent for Beltsville Small Whites and other small breeds.

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: This represents the highlights of the 1954 Outlook issue :
: of the Poultry and Egg Situation for October 1953, a processed :
: publication by the Bureau of Agricultural Economics. :
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UNITED STATES DEPARTMENT OF AGRICULTURE
Bureau of Human Nutrition and Home Economics

OUTLOOK FOR FARM FAMILY LIVING COSTS



Talk by Gertrude S. Weiss, Head, Family Economics Division,
Bureau of Human Nutrition and Home Economics, Agricultural
Research Administration, U. S. Department of Agriculture at the
31st Annual Agricultural Outlook Conference, Washington 25, D. C.,
Monday, October 26, 1953

The indexes by which we measure family living costs have shown little change since the sharp increases of 1950. For the past 2 years there have been increases and decreases, but they have been slight. The portion of the Index of Prices Paid by Farmers that relates to commodities used in family living is now about the same as in June 1951. The Consumer Price Index has increased, but by only 4 percent in these 2 years. In the year ahead, it is likely that the overall picture of living costs will continue to be one of stability.

Because these indexes are woven into the fabric of our economic life, small changes receive a great deal of attention. The Index of Prices Paid by Farmers is used in determining the Parity Ratio; the Consumer Price Index is the basis of adjustments in union contracts for 3½ million workers. Consequently, small changes, especially in the latter, are prominently reported in the newspapers. But in terms of family planning and budgeting, a shift of 1 percent in a year is not very important. A 1-percent increase or decrease in living costs, for example, amounts to \$20 on a \$2,000 family budget, or \$30 on \$3,000 of family expenditures. In making home management decisions, the picture of relative stability in the year ahead, accordingly, seems more important than whether the slight shifts will be up or down.

Even though in the overall view living costs have changed little in these 2 years, the prices of the several parts of the family budget have been affected differently. Price increases in some parts of the budget have cancelled out decreases in other parts.

I have two charts based on the two available indexes, that show the divergent price trends of the parts of the family budget. The first chart, from the Parity Index, shows some of the commodities used by farmers for family living. Starting in each instance in June 1951 we see how prices have differed for the groups of commodities. Food and tobacco prices went up until the summer of 1952, and then declined. But changes since then have been slight and largely seasonal. The net result is that retail food prices stand now about where they were 2 years ago. Prices of building material and housefurnishings have declined slightly. The cost of owning and operating automobiles, on the other hand, went up markedly.

The chart of the Consumer Price Index also shows the divergent movement of the parts of the index since June 1951. The food line gives the same conclusions as the food line from the other chart. Apparel prices, more than prices for any other group in these indexes, have been slowly drifting down. At the August 1953 point retail apparel prices were 2 percent below 2 years before.

The most significant trend in the outlook for family living costs is the increasing costs of services. The costs of medical care, public transportation, telephone and gas rates, laundry, dry cleaning, domestic service, and urban rents have increased more than have the prices of many commodities that consumers buy. A good many of these services are included in the top line "miscellaneous" and account in part for its rise.

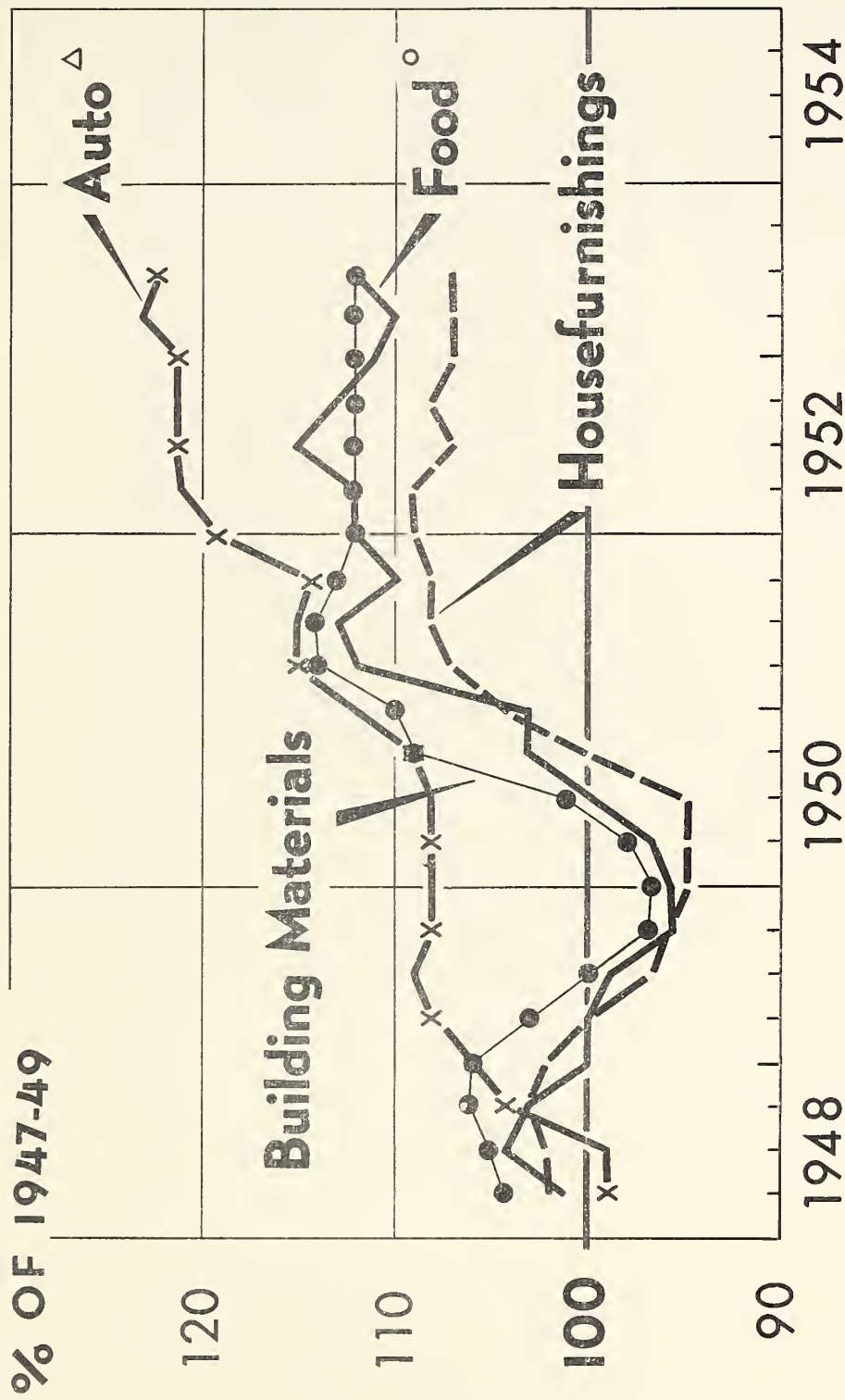
Mr. Koffsky has summed up the demand side of the agricultural outlook for 1954 by saying that no marked change in domestic demand for food appears likely. With consumer demand for food holding steady, price declines for this very important portion of the family budget are unlikely. Clothing prices may continue to drift down slightly and there may be some softening of retail prices for consumer durable goods. Manufacturers' and retailers' inventories are again increasing, so gross margins are likely to be shaved somewhat to move goods. Families that plan purchases of durable goods may find that they can get discounts, trade-in allowances, or buy advantageously in sales. These are, of course, very important to the family planning purchases of this kind, but cannot be fully reflected in the indexes. The slight price decreases likely in durable goods and in clothing may no more than cancel out the rising cost of services, especially if food prices do not change much.

In this situation we must be clear as to whose living costs we have in mind. If retail food prices are about the same and if prices of clothing and housefurnishings and equipment are a little lower, the family whose budget is made up in large proportion of these commodities will have lower living costs. City renters, on the other hand, are almost certain, as a group, to experience higher living costs. This will also be true of others for whom services are a large budget item.

In terms of the measures available to us for assessing living costs, it would not be surprising in the year ahead to see the portion of the Parity Index that reports commodities used in family living drop more than the Consumer Price Index, although little change in either is expected. One reason is that urban rents, which do not affect the living costs of farm families, probably will continue to rise. Some other service costs are less important to farm than to city families. But farm families whose budgets are heavily weighted with medical care and personal services, for example, may experience more than average pressure from rising costs.

To summarize, in the period ahead it would seem that changes in the subgroups of these indexes might, as they have in the past 2 years, be different, and that families will be more interested in these subgroups than in the slight change likely in the total.

INDEX of PRICES PAID by FARMERS*



* COMMODITIES USED FOR FAMILY LIVING, MARCH 1948 - JUNE 1953

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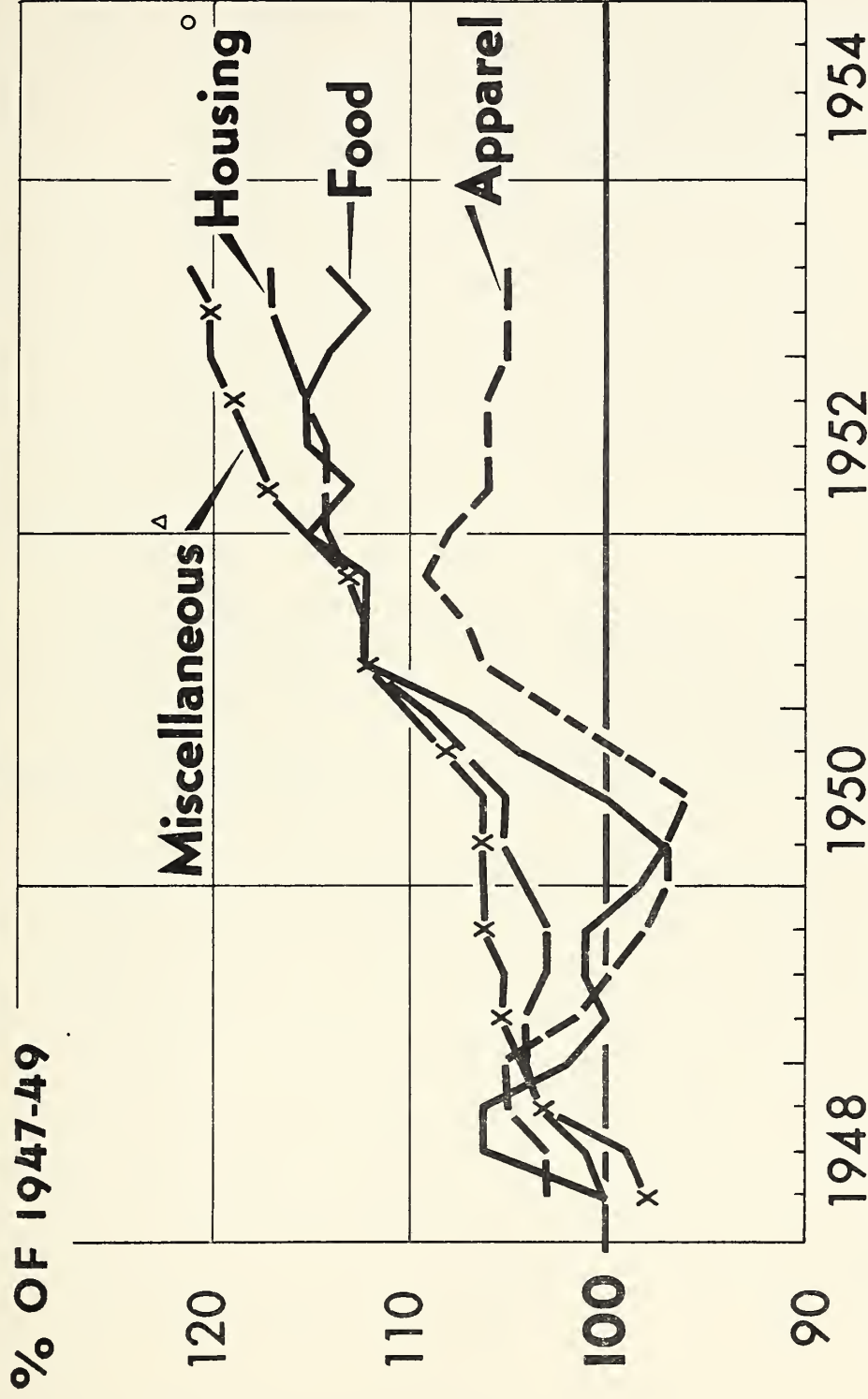
Δ INCLUDES AUTO SUPPLIES

SOURCE: BAE

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BUREAU OF HUMAN NUTRITION AND HOME ECONOMICS

CONSUMER PRICE INDEX*



* URBAN WAGE-EARNER AND CLERICAL-WORKER FAMILIES, MARCH 1948-JUNE 1953.

SOURCE: BLS

△ TRANSPORTATION, MEDICAL AND PERSONAL CARE, READING, RECREATION.

○ RENT, HOUSEHOLD OPERATION, AND FURNISHINGS.

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UNITED STATES DEPARTMENT OF AGRICULTURE
Bureau of Agricultural Economics

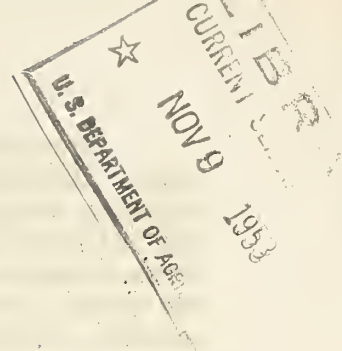
THE OUTLOOK FOR FEED IN 1954

Statement presented by Malcolm Clough, at the
31st Annual Agricultural Outlook Conference,
Washington, D. C., October 27, 1953

Total supplies of feed grains and other concentrates for the 1953-54 feeding season are slightly larger than the supplies available in the past 2 years, and only a little below the record level reached in 1950-51. This is the sixth year that total supplies of feed concentrates have been maintained at a high level. The pronounced upward trend in supplies during the past 25 years has brought the current level to about 40 percent higher than in the late twenties. Livestock numbers also have increased, but they have not kept pace with the increase in feed supplies, and the supply per animal unit is about a fourth larger than 25 years ago. In 1953-54 the feed concentrate supply per animal unit will be close to the record level for the years 1948-50.

While our feed concentrate supply for the current season is again large, both in total and per animal unit, supplies vary sharply by areas, as was the case in 1952-53. There is a record supply of good quality corn in the Corn Belt and a near record total supply of feed grains in that area. In large areas of the South, however, and particularly in the Southwest, drought has again sharply reduced feed crop production and supplies of feed grains are below average, although they are somewhat larger than the very short supply last year.

Increased feed grain production, larger carry-over stocks, and increased production of byproduct feeds have all contributed to the upward trend in feed concentrate supplies. The combined production of the four feed grains, totaling 118 million tons this year and averaging about 120 million tons in recent years, is a fifth larger than in the late twenties. Feed grain acreage, on the other hand, is about an eighth smaller. Much of the decline in acreage and the increase in production has been in corn. The marked increase in corn yield per acre is the result of wide use of hybrid seed, increased application of fertilizer, and other improvements in production practices. The increase in the quantity of feed grains used in producing livestock and livestock products for food has been much greater than the increase in total production, since a much smaller percentage of our feed grain production is now being fed to horses and mules. During the twenties horses and mules consumed about a fifth of our total feed grain production, whereas they currently consume less than 5 percent of the total.



Corn plays a prominent part in our large feed grain supply this year. The 1953-54 corn supply of nearly 4 billion bushels is only slightly smaller than the record supply in 1949-50. The 1953 crop of 3.2 billion bushels is a little above the 1946-50 average. About three-fourths of the big October 1 carryover of 764 million bushels was under loan or owned by CCC. While the total corn supply is near record, supplies of oats, barley, and sorghum grains are all below the average of recent years. The 1953-54 corn supply appears to be large enough to meet this year's requirements and to leave a record carryover of around 900 million bushels on October 1, 1954. This, together with the below-average carryover of other feed grains in prospect, would give a total carryover of feed grains in 1954-55 near the 1950 record of 30.6 million tons.

Corn prices remained below the national average support level throughout the 1952-53 season. During October corn prices declined seasonally as farmers began harvesting the 1953 crop. The average price received by farmers is well below the national average support price of \$1.60 per bushel this fall, as was the case in 1949 and some other years when supplies were unusually large. Substantial quantities of 1953 corn are expected to be placed under price support, which may result in some tightening of the supply situation and seasonally advancing prices later in the marketing year. Prices of other feed grains and most of the byproduct feeds also are considerably lower this fall than a year earlier. Feed prices are expected to remain somewhat lower than a year earlier this fall and winter, but prices of a number of the feeds may strengthen along with corn later in the feeding year.

The high-protein feed supply is expected to be a little smaller than in 1952-53, with practically all of the reduction in soybean meal. Prices of most of the high-protein feeds have declined sharply during the past year, and are expected to remain somewhat lower this fall and winter than a year earlier, but they may advance later in the feeding season, especially if hog and poultry production increases early in 1954.

The hay supply for 1953-54 is slightly larger than last year, both in total and per animal unit. However, supplies vary sharply by areas. Hay production was average or above in the northern and western sections of the country. But in Missouri and Kansas and throughout large areas of the South, drought has again sharply reduced production and supplies are short. Pastures this summer and fall have been very poor over wide areas of the country, making it necessary to feed more hay than usual early in the feeding season.

Now let us look ahead for a moment to the 1954-55 feeding year. In 1954-55 average or above feed supplies are likely because of the big carryover of feed grains in prospect. Even if the 1954 production should fall 10 percent below the 1946-50 average, the record large carryover of corn in prospect would bring the total supply of feed concentrates in 1954-55 up to near the 1946-50 average. Corn acreage allotments in 1954 would result in some reduction in the corn acreage in the commercial area. However, larger acreages of other feed grains are in prospect as a result of acreage restrictions on wheat, cotton, and probably corn, which probably would largely offset the effects of a smaller corn acreage. In 1950, when acreage allotments were in effect for wheat, cotton, and corn, the total acreage of the four feed grains was increased and production was slightly above average.

The support price on 1954 corn will again be set at 90 percent of parity, but if acreage allotments are in effect, the full 90 percent support will be available only to cooperating producers in the commercial corn-producing area. The recently announced supports on 1954 oats, barley, and sorghum grains are again based on 85 percent of parity, but the support prices are 6 or 7 percent lower than in 1953, reflecting the lower parity index and the transition to the modernized parity.

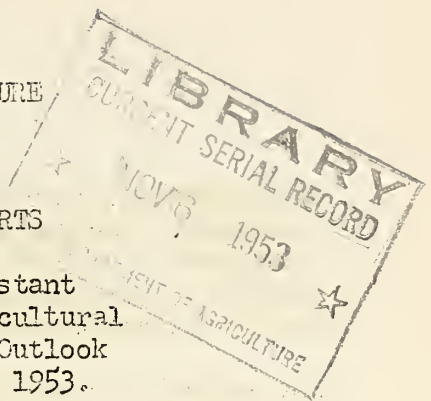
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UNITED STATES DEPARTMENT OF AGRICULTURE
Office of the Secretary

OUTLOOK FOR FOREIGN AGRICULTURAL EXPORTS

Summary of Remarks by John H. Davis, Assistant Secretary of Agriculture for Foreign Agricultural Service, before 31st Annual Agricultural Outlook Conference, Washington, D.C., October 26, 1953.



For some months now, all of us have been following closely the foreign agricultural marketing situation. It is true that foreign markets do not take nearly as much of our farm products as do our domestic markets; nevertheless, in a highly-developed agricultural economy such as ours these overseas outlets are extremely important. They provide those extra outlets for food and fiber that make a more complete market for everything we produce.

During the 1951-52 marketing year all of us felt pretty good about the foreign marketing situation. That was the year when our agricultural exports hit a record total of over \$4 billion. But since then we have watched our farm exports slide backward to only \$2.8 billion in the 1952-53 marketing year. That was a drop-off of 30 percent. Many of our farm program headaches, including surpluses and depressed prices, are the direct result of this reduction in foreign markets.

As we meet here this week to survey our agricultural outlook, I think we can safely be somewhat optimistic about our foreign trade prospects. While our agricultural exports have settled back to a lower rate than we desire, nevertheless there are good indications that we can at least maintain the present rate. By applying some real effort, perhaps we can even raise it somewhat.

This conclusion is based on the other outlook statements that you have been hearing which add up to prospect of sustained high-level economic activity for our Nation as a whole. Our farm export outlook is, of course, closely tied in with our over-all prosperity. Similarly, the prosperity of many countries with whom we do business is closely tied in with our economic well-being. When buying our farm products, foreign customers have to do it principally with dollars earned when we buy from them -- and our foreign purchases are heaviest when we are prosperous. With a continued high level of activity in our domestic economy, I believe that in the months ahead we can gain in our total agricultural exports.

That is the broad picture of the foreign trade outlook. Now for some of the individual commodities.

Unfortunately, there is little reason for optimism so far as wheat is concerned. World supplies of wheat are very high, and 1953 has seen continued high production. A further decline in our exports of this important crop seems in prospect, with our participation in the International Wheat Agreement only a partial buffer.

The outlook for rice continues good but little change is expected in other grains, though there may be some shift from corn to grain sorghums in the feed grain total.

Export sales of cotton have fallen drastically in recent months. Production in competing areas is relatively high and prices of competing foreign growths are generally lower than ours. However, the low inventory of United States growths abroad and some pickup in textile activity, particularly in Europe, make it possible that cotton exports will be somewhat higher in the year ahead.

Our exports of fats and oils should hold to the high levels of recent years and may be slightly higher than during the past year. In spite of a fairly good world balance between production and consumption requirements, much of the surplus available for export is in the United States and it appears that other countries must come to us if they are to maintain present consumption levels. Cottonseed oil and soybean oil especially may become more active during the year to come.

Among other commodities in our total, expected changes are about offsetting with different reasons affecting each commodity.

As you see, the prospects are neither entirely gloomy nor entirely bright. Viewed realistically, I think we must admit that our agricultural exports have been undergoing a rather violent shake-down that today is affecting our entire farm economy. All of you know our agricultural history of the past 10 years. American farmers did about everything possible to expand their production. The results were outstanding -- an increase of more than 40 percent over 1939 production. Actually, farmers met the needs of war and increased our own per capita living standards as well. Then, following V-E Day and V-J Day, we did a great humanitarian job of feeding hungry people in areas where production had been dislocated by war. American food, in recent years, has had to play the combined role of both soldier and statesman.

Because American agriculture expanded to meet a challenge, now it finds itself with a production plant considerably larger than it probably would have had without a war. We have a very real problem of what to do with the full capacity of this plant. We are directly affected by the fact that the world's agriculture has recovered from the war and production has increased with advanced technology. Last year the world came up with

record or near-record production of leading commodities. These include cotton, wheat, rice, corn, oats, barley, and fats and oils. This means that foreign countries now have less need for our food and fiber than they did only a couple of years ago. Furthermore, they have the chronic problem of earning enough dollars to buy from us the products that they do need. And, perhaps most important of all, they often find that they can buy farm products from other countries more cheaply than they can from us.

These postwar transitions have come upon us rather suddenly, but they have been a long time in the making. Our present production, over-expanded in terms of currently available markets, is in reality one of the aftermaths of war. Until rather recently our agriculture has had the good fortune to be spared many of the postwar adjustments that we all knew, sooner or later, would have to come. But adjustments now confront us squarely, and we have to face up to them.

Farm production, as we all know, is not an easy thing to adjust. It is not elastic, like a rubber band. Instead, it is more like molasses candy; it will stretch out but does not want to snap back. This characteristic of agricultural production intensifies our immediate problems of adjustment, but in the long run it is a good thing. The very fact that our agriculture is so highly productive that it is hard to shut off should not be thought of as a liability but should be regarded as one of our real sources of national strength.

For this immediate period we probably have no choice but to use mechanisms available to us for bringing production and markets into better balance. I believe that this can be done successfully over the next three to six years. Over the longer period, however, it will not be acreage allotments, marketing controls, and price support programs that solve our farm problems. The day is not too far ahead when our country will have outgrown its surpluses. This it will do through population growth, through improvement of diets, and through expansion of foreign markets.

During this intervening period, there is need for more aggressive policy on the part of private traders and of the Government of our country to move farm products into greater use both at home and abroad. Where world prices are below our domestic prices, ways must be found to make our products more competitive in foreign trade.

If world prices continue to sag below our domestic support price levels, we may expect increased requests from our producers for action to prevent foreign products from interfering with our domestic support program. In this connection, where interference is a fact, there is little choice except to invoke counter measures such as action under Section 22. In invoking such action, however, we have the difficult but necessary job of distinguishing between normal imports and abnormal imports attracted by our support prices.

As we have said, we are a technologically great country whose ability to produce is outrunning its present ability to market. As a responsible member of the world family of nations, we must make every effort to get this production into use so long as any needs of friendly nations remain unmet. The contradiction of unmet needs and unused goods implies a weakness in our world marketing processes which we should do our best to correct. Broadly, we should try to improve the dollar or hard currency earnings of the rest of the world. Achieving this, and at the same time maintaining our own levels of living, is a challenge to our ingenuity which I am sure we can meet in some degree.

Owing to the breakdown of previous commercial marketing structures, a part of our problem today requires greater skill in negotiating with governments which have tended more and more to take over complete management of their country's trade. This field of negotiation is relatively new. Our ability to maximize the participation of private trade interests in such negotiating will be one measure of our success in combating the over-all problem. We need to improve our service to the private agricultural trade. We need to improve our own knowledge, at the same time increasing the availability to the trade of those things we already know. We need a better understanding of why other governments and other peoples act as they do and what we and our trade partners can do about it. We need to pay special attention to holding our own ⁱⁿ competition with the barter transactions, switch transactions, and transit purchases which are becoming common on the part of other countries.

We need also to go back to some first principles of marketing and get to world markets a better quality product and with assured availability, in the interest of building a more permanent export market. Perhaps events of the past 10 years have resulted in too much short-term thinking, thus resulting in too little attention being paid to building up and maintaining permanent trade relationships. In such a situation the short-term temptation to exact profits at the expense of a long-term market often has too great a practical weight. So far as we as a Nation are concerned, an attempt to improve this situation would apply about equally to imports and exports. For our own part, we are now hoping for some useful rationalization to come from the currently meeting Randall Commission on Foreign Economic Policy.

In closing I would like to pay tribute to this Outlook Conference and to your participation in it. An annual institution such as this is practically unique in the world. Few other countries benefit from the forward-look approach to balancing products and markets. Canada is one of these, and, to some extent, the FAO review of the State of Food and Agriculture falls in this category. However, this service is so important that we might well recommend the wide adoption of outlook work throughout the world. I think this outlook work is one of the great services to American agriculture. By getting the word out to the States and communities and individual farms, as you do, you create that essential atmosphere of enlightenment in which our agriculture can effectively operate.

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UNITED STATES DEPARTMENT OF AGRICULTURE
BUREAU OF AGRICULTURAL ECONOMICS

THE OUTLOOK FOR FRUITS AND TREE NUTS IN 1954

Statement by Ben H. Pubols, Agricultural Economic Statistician
at the 31st Annual Agricultural Outlook Conference, Washington, D. C.
October 29, 1953

With little change in demand for fruit in 1954, weather and yields are likely to determine the direction of price changes. Assuming average weather, production of deciduous fruits in 1954 probably will be moderately larger than the relatively small 1952 and 1953 crops and production of citrus fruits probably will increase further. However, the 1954 crop of tree nuts is likely to be smaller.

Prospects for exports of fruit in 1954 are for no marked change in total volume. In Western European countries that for many years have been important outlets for substantial quantities of fresh and dried fruits, dollar exchange for the importation of United States fruit continues limited even though there has been some improvement otherwise in the dollar exchange situation. Even so, exports of winter pears probably will be larger in 1954 because of the larger 1953 crop of winter varieties and the current export-payment program for pears. With increased production of export varieties and sizes of apples, exports of apples also may be a little larger in 1954. Exports of citrus are expected to continue large in 1954, and may increase further to Canada. But exports of raisins are expected to be smaller because of reduced output in 1953. Exports of raisins are again being assisted by a payment program.

Imports of apples, most of which usually come from Canada, may not be greatly different from the relatively large volume in 1953. Imports of bananas, of which consumption per capita ranks second only to that of oranges and apples, probably will be about as large in 1954 as in 1953. Some increase in receipts of canned pineapple and pineapple juice from Hawaii seems probable.

The 1953 deciduous fruit crop is slightly smaller than the 1952 crop and moderately smaller than the 1942-51 average. Most of the reduction is the result of the heavy drop in production of grapes. Total production of the major deciduous fruits, excluding grapes, is slightly larger than in 1952. This means that with average weather, a substantial increase in production of grapes can be expected in 1954. But increases also seem probable for apples, peaches, and pears, while decreases are likely for plums, cherries, and cranberries.

With the 1953 apple crop again considerably smaller than average and demand for processing strong, prices for apples this summer have averaged above the relatively high prices of a year earlier. Prices are expected to continue high this fall. Amount and quality of year-end stocks will largely determine the course of prices in the first half of 1954. Because of larger supplies of late pears and cranberries, prices

for these two fruits are expected to average lower this fall and winter than a year earlier. In contrast, prices for fresh grapes probably will average higher because of smaller quantities going into storage.

Prospective production of citrus fruits in 1953-54 is slightly larger than in 1952-53. Furthermore, production probably will increase further in 1954-55 as trees planted in recent years in Florida and Texas start bearing and as older groves in Texas recover further from the freeze damage of 1949 and 1951. The early and midseason orange crop of 1953-54 is expected to be slightly larger than the 1952-53 crop. But the 1953-54 grapefruit crop is much larger than the crop last season. Production of both oranges and grapefruit is up considerably in Florida, and also larger in Texas and Arizona.

Because movement of canned and frozen citrus into consumption channels has been larger, even at higher prices, in the spring and summer of 1953 than in this period of 1952, stocks of processed citrus, especially in Florida, are much smaller this fall than a year earlier. Partly for this reason, grower prices for oranges this fall and winter probably will average about as high as in this part of the 1952-53 season. However, because of the heavy increase in grapefruit production, prices for this fruit are expected to average lower.

Over the last two decades, utilization of the fruit crops for processing, especially citrus, has increased sharply. Meanwhile fresh use of deciduous fruits has not changed greatly while fresh use of citrus also has increased but less markedly than that of processed. In 1952-53, about 48 percent of the orange and tangerine crop and 45 percent of the grapefruit crop were processed. In Florida the percentage processed of oranges and tangerines was 61 percent and of grapefruit 46 percent. Increased tonnages of both fruits probably will be processed in the 1953-54 season. This is expected to lead to larger packs of both canned and frozen orange juice than in the past season. Moreover, output of frozen concentrate for lemonade, which has become popular, in the last few years, also may increase further.

The 1953-54 pack of canned fruits, consisting mostly of deciduous fruits, is expected to be a little larger than the relatively large 1952-53 output. The new pack of apricots is considerably larger than the 1952-53 pack, the pack of sour cherries is slightly smaller, and that of sweet cherries is considerably smaller. The packs of canned peaches, fruit cocktail, and cranberries are each expected to be larger this season. In the season ahead, supplies of canned fruits and fruit juices probably will be as large as in 1952-53, but supplies of frozen fruits and fruit juices may be larger.

Total production of almonds, filberts, pecans, and walnuts in 1953 is nearly as large as the record tonnage in 1952. However, production of almonds and pecans is larger. The early season outlook for grower prices for the 1953 crops was for higher prices for filberts, lower prices for pecans, and not much change for almonds and walnuts. Total imports of tree nuts in 1953-54 may not differ markedly from 1952-53.

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* This represents the highlights of the 1954 Outlook issue of *
* "The Fruit Situation" for October 1953. *
* a processed publication issued by the *
* Bureau of Agricultural Economics *
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UNITED STATES DEPARTMENT OF AGRICULTURE
Bureau of Agricultural Economics

THE OUTLOOK FOR MEAT ANIMALS IN 1954

Statement presented by Harold F. Breimyer at the 31st
Annual Agricultural Outlook Conference,
Washington, D. C., October 27, 1953

U. S. DEPARTMENT OF AGRICULTURE

Just one event has been in the forefront of meat animal trends this year and is the main issue in the outlook for 1954--the big increase in slaughter and decline in price for cattle.

Nearly every observer expected cattle slaughter to expand in 1953. Few if any thought the increase would be the outsized 30 percent it has been. Underlying the rise in slaughter, of course, was the uptrend in production as numbers of cattle and calves on farms jumped from 77 million in 1949 to 93.7 million at the beginning of 1953. Accompanying this gain in numbers, slaughter dipped to a low of 26 million head in 1951. Slaughter started upward in the fall of 1952 and the year's total was 28 million cattle and calves. This year slaughter will exceed 36 million. The output of beef, which was at 8.5 billion pounds in 1951 and 9.7 billion pounds last year, will hit 12.3 billion this year. The previous high was 10.4 billion in 1947. Or, for another measure of the increase in beef supply look at consumption per person. Beef consumption was only 55 pounds in 1951, 61 last year, and now this year will reach 75 pounds. Not in 54 years of records had this rate been attained. The peak until now was the 73 pounds in 1909.

The big supply of beef overshadowed the smallness of supply of other meats. Lamb output has been substantially larger than last year but still small compared with 5 or 10 years ago. But pork consumption is down to an estimated 63 pounds per person from 72 last year, and is the lowest since at least 1942. With the increased quantity of beef the total red meat consumption is rising to about 151 pounds this year, a rate exceeded only by two peacetime years (1946 and 1947) and one wartime year (1944) since 1909.

Trends in prices are well known. Prices of grass cattle broke in the fall of 1952. Then this past January prices of fed cattle began to tumble too. And this summer and fall prices of grass cattle are down still more. Prices of the lower grades of cattle have been reduced most. Compared with 2 years ago Choice slaughter steers are down about 30 percent, Utility cows are 55 percent lower and feeder steers are off 50 to 60 percent. That is, all grades Commercial and lower have been cut in half or more the last 2 years.

An inevitable and pertinent subject in this connection is the traditional cattle cycle. We are in the 6th cycle since 1880. We have explained many times this year that there is nothing automatic about these cycles, which essentially arise because of the long life span of the cattle species, but that the similarity between various cycles is helpful in

understanding what is going on now. Data indicate the cycles are getting shorter. Since their amplitude is about as great as ever, their changes are if anything even more violent than they used to be. Not much progress has been made in avoiding cyclical ups and downs in cattle.

Though the direction of present changes in cattle are typical, the 30 percent rise in slaughter this year is considerably greater than is usual for this stage in the cycle--or for any stage.

Most price changes for cattle this year are directly traceable to the increased supply. Demand for meat apparently has held as strong this year as last. A greater decline in prices of lower than of higher grades of cattle is a normal occurrence for this point in the cycle, although the difference between the two rates of decline has been pretty severe this time.

What then comes next? How far toward completion have adjustments gone? Is the present pessimism in cattle following 1953 experiences justified, or are we again swinging too far in the direction of discouragement?

The big increase in cattle slaughter has lifted it to the rate of current production. Unless the calf crop this year proves to be exceedingly large, fully as many cattle and calves will have been slaughtered as produced. Numbers of cattle on farms thereby are being leveled out, and the inventory next January is forecast at 93 to 94 million compared with the 93.7 million at the beginning of 1953. Even though the uptrend in numbers is now halted, it would be erroneous to assume that numbers would necessarily take any one course seemingly dictated by comparisons with previous cycles. Cycles are not exactly repetitive enough for that sort of forecasting. Rather, 1954 trends in cattle numbers and slaughter will be conditioned chiefly by conditions during the year. Barring drought or marked economic recession, neither of which is now foreseen, no great change in either direction is likely and the chances are as good for numbers to go up a bit as to decline. Incidentally, we mention the effects of a possible drought because a large cattle inventory is more sensitive than a small one to any widespread and serious dry weather.

Cattle and calf slaughter in 1954, assuming favorable weather, is likely to equal or to exceed only slightly that of 1953. Average weights will be lighter, and the beef and veal output may be no larger or slightly smaller. Prices of cattle therefore may be as high as this year. However, the beef supply next year and possibly for several years will continue larger than in years before 1953, and prices can hardly rebound very far. The most hopeful indication for cattlemen is a probable end to the persistent declines of 1952 and 1953.

It looks as though fewer cattle will be fed this winter than last, and that therefore less fed beef will be on the market this coming winter and spring than a year before. The prospects are favorable for average

profits in cattle feeding this season. Good returns in feeding could put a little firmer base under demand for feeder cattle next year, even though no really substantial improvement in their prices is likely.

Sometimes overlooked in the concern with cattle has been the higher prices for hogs this year, which are the highest for any year except 1947 and 1948. After declining for 2 years, hog production is now turning upward. There is reason to think that late fall farrowings are above those a year ago, and an appreciable increase in the 1954 spring crop--perhaps 5 to 10 percent--is expected. About the middle of 1954 hog slaughter will shift above the year-earlier rate. Prices of hogs next fall may decline more than this fall and average lower than this fall. However, no depressed level is likely. 1954 promises to be a good year for hogs raised and sold during the year. Price trends after that depend on how great the expansion in production turns out to be.

Though the 1953 lamb crop was 7 percent larger than the 1952 crop the number slaughtered has increased still more and a small decrease in inventory numbers of sheep and lambs next January seems in prospect. The likelihood is for fewer sheep and lambs to be slaughtered next year. Prices may stay just a little on the high side relative to cattle prices. Prices of wool will again be mainly determined by supports and are not likely to differ much from this year.

This represents the highlights of the 1954 Outlook issue of the Livestock and Meat Situation for October 1953, a processed publication by the Bureau of Agricultural Economics.

1. The first part of the paper discusses the importance of the study of the history of the English language. It is noted that the English language has a long and rich history, and that the study of its development is essential for a full understanding of the language.

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UNITED STATES DEPARTMENT OF AGRICULTURE
Production and Marketing Administration

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THE OUTLOOK FOR PEANUTS IN 1953-54 X

Talk by Sydney C. Reagan, Production and Marketing Administration, at the 31st Annual Agricultural Outlook Conference, Washington 25, D. C.
October 29, 1953

In general, the supply of peanuts during the current marketing year beginning September 1 appears sufficient to meet normal edible and farm uses with some surplus for crushing, and the demand appears to be about the same as during the past several years. There are, however, qualifications and questions regarding this summary statement.

Supply

Stocks of peanuts in all positions of the marketing system on September 1 of this year totalled 166,000 tons, farmers' stock basis. This was about the same as last year, but more than any other year on record. About half of these beginning stocks were owned by Commodity Credit Corporation, most of which have been or probably will be sold for crushing. The latest Crop Report indicates a total picked and threshed production of 697,000 tons. This production exceeds by 5 percent the 1953 national marketing quota of 663,000 tons. Consequently, supplies for edible and farm uses appear ample.

Most of the 1953 crop has been dug in all areas, a considerable portion of the crop has been marketed in the Southeastern and Southwestern areas and the crop is just beginning to move to market in the Virginia-Carolina area. Since the hurricane in the Southeastern area, weather appears generally to have been favorable for curing and picking.

There are two aspects of the current supply situation that I want to discuss. One is the damage problem in the Southeast; the other is the question of the adequacy of the combined supply of Virginia and Valencia types of peanuts for roasted peanuts and larger kernels.

As most of you know, the hurricane in late September did considerable damage to peanuts in the Southeastern area. Rain was driven into the stacked peanuts in many places and there has been considerable sprouting. It is difficult to evaluate at this time the extent of the damage, but it is possible that 75,000 to 100,000 tons of the production in the Southeast will contain damage of 4 percent or more. Highly damaged peanuts ordinarily are not economically usable for edible purposes. They will be available, however, for crushing. In the discussion period I hope that those of you from the Southeastern area will be able to tell us more about the extent and effect of the damage.

The second problem of the supply situation is the reduced combined production of Virginia and Valencia types of peanuts. The production of these types may be approximated from the total production in the Virginia-Carolina area and in South Carolina. This is expected to be 190,000 tons in 1953, compared with 276,000 tons last year. This reduced production primarily is due to decrease in yields. The yield per acre dropped a fourth, from 1,677 pounds in 1952 to an estimated 1,251 pounds for 1953. In addition, it now appears that this year's acreage picked and threshed will be slightly below 1952.

The Southwestern area is having its best crop in several years. The estimated production this year is almost double that of 1952 and the estimated yield is almost 50 percent higher.

There is little possibility of significant imports or exports of peanuts for edible uses. Some peanut oil will be imported, but the quantity probably will not be substantial.

The domestic market for peanuts is protected by a tariff rate of 7 cents a pound on shelled peanuts and 4.25 cents a pound on unshelled peanuts, with certain concessions to Cuba and the Philippines. More important, however, is the limitation on the annual importation of peanuts to less than 1,000 tons, shelled basis, under provisions of Section 22 of the Agricultural Adjustment Act (of 1933) as amended.

The domestic market for peanuts for crushing is protected by a tariff rate of 4 cents a pound on the importation of peanut oil, with a concession to the Philippines. In addition, the importation of peanut oil into this country is restricted by an ad valorem tax of 25 percent on all imports over 80 million pounds a year, under the provision of Section 22. It is not considered, however, that this restriction will become operative since imports are unlikely to reach 80 million pounds.

The national marketing quota and acreage allotment for peanuts in 1954 have been set at 673,785 tons and 1,610,000 acres. These are the minima under present legislation. If growers approve quotas in the referendum in December, the 1954 crop will be supported at 90 percent of parity. If they reject quotas, support will be at 50 percent of parity to cooperators.

Demand for Edible Uses

Let us now turn to the demand side of the picture. The per capita consumption of peanuts for edible uses during the marketing year beginning on September 1 will be about the same as it has been for the last several years; consequently, total consumption for edible uses should be slightly higher because of population growth.

The prices now being paid to growers range from about loan value in the Southeastern and Southwestern areas to support plus hauling in the Virginia-Carolina area. If the damage situation proves to be severe in the Southeastern area and the present supply outlook for Virginia and Valencia peanuts remains unchanged, it is

possible that later in the marketing year prices for farmers' stock peanuts will rise above support.

The total domestic disappearance of peanuts for food uses during the past marketing year was 352,000 tons, shelled basis, or 4.38 pounds per capita. About 55 percent of these were roasted, salted, or used in confections; such consumption is between 8 and 9 times as large as the consumption of cashews, the closest nut competitor of peanuts in such uses (Table 2). Prices of edible milled peanuts have been and are expected to remain during the present year substantially lower than the prices of other nuts, (Table 3).

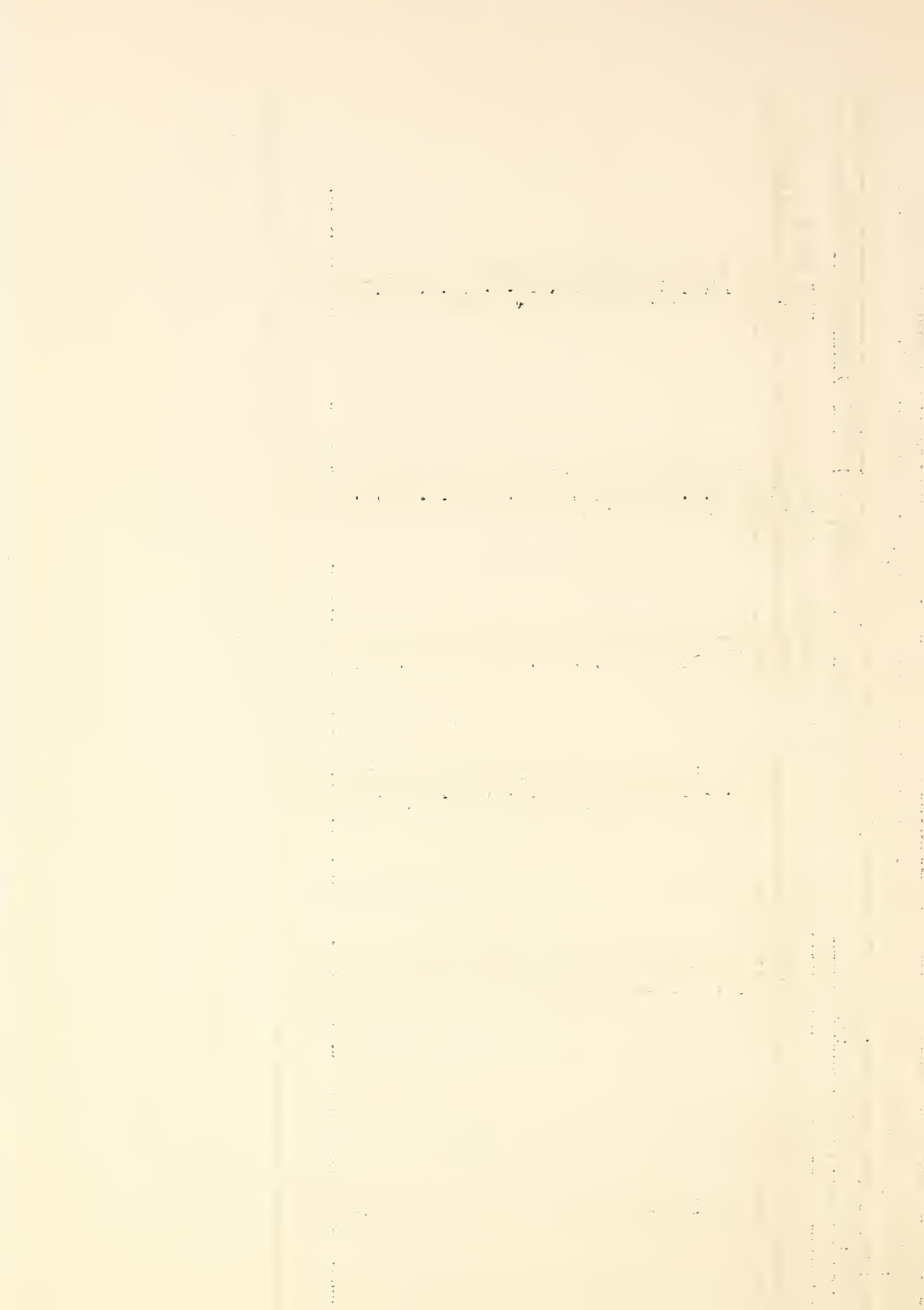
Demand for Crushing

The domestic and foreign demand for peanuts for crushing is relatively strong, but at prices only about 55 to 60 percent of the 1953 support price. The demand for edible uses is such that the supply of peanuts for crushing, both domestic and export, is expected to be greater than during the past year when 53 million pounds of peanut oil were produced domestically.

Table 1 - Peanuts: Domestic disappearance for food uses, total and per capita, 1933-52

Crop year 1/ 1/	Commercial disappearance			Farm household			Total			Per capita disappearance 4/		
	:Cleaned			:Total			:disappearance			:Total		
	:roasting			:use and local			:for food uses			:roasting		
	:stock	:basis)	: (kernel basis) 3/	:stock	:basis)	: (kernel basis) 3/	: (kernel basis)	: (kernel basis)	: (kernel basis)	:stock	: (kernel basis)	: (kernel basis)
	Mil. lbs.	Mil. lbs.	Mil. lbs.	Mil. lbs.	Mil. lbs.	Mil. lbs.	Mil. lbs.	Mil. lbs.	Mil. lbs.	Lbs.	Lbs.	Lbs.
1933	371	65	417	57	455	2,90	51	3,26	3,56			
1934	339	58	379	67	424	2,64	,45	2,95	3,00			
1935	427	64	472	63	514	3,30	,49	3,64	3,97			
1936	499	71	549	63	590	3,83	,54	4,21	4,53			
1937	479	72	529	55	566	3,65	,55	4,03	4,31			
1938	481	71	529	58	567	3,64	,54	4,00	4,29			
1939	491	67	539	57	578	3,68	,50	4,04	4,34			
1940	561	72	612	66	657	4,17	,53	4,55	4,88			
1941	575	67	623	81	678	4,23	,49	4,58	4,99			
1942	796	59	838	96	904	5,78	,43	6,10	6,56			
1943	770	78	825	88	884	5,52	,56	5,91	6,34			
1944	850	103	925	95	991	6,02	,73	6,56	7,02			
1945	764	80	823	84	882	5,36	,56	5,77	6,19			
1946	602	64	649	91	712	4,16	,44	4,48	4,92			
1947	560	67	610	82	667	3,80	,45	4,14	4,52			
1948	544	68	594	72	644	3,62	,45	3,96	4,29			
1949	552	64	600	49	635	3,61	,42	3,93	4,16			
1950	589	66	638	55	677	3,80	,43	4,11	4,36			
1951	607	77	663	52	699	3,84	,49	4,20	4,43			
1952	613	76	668	52	704	3,81	,47	4,16	4,38			

(Continued)



FOOTNOTES

1/ Year beginning 1933-37 Southwestern section, August 1, Southeastern section, September 1; Virginia-Carolina section, November 1; 1938 to date, September 1. 2/ Commercial disappearance includes peanuts used in peanut butter, candy, and salting, and peanuts roasted in the shell. 1933-37 based on estimates made by Market News Division, Fruit and Vegetable Branch, CHA, from rail movement of peanuts from mills and information supplied by peanut-consuming firms. Those estimates have been adjusted for imports and exports. 1938 to date, disappearance of cleaned and shelled peanuts reported in Peanut Stocks and Processing adjusted for imports, exports, and crushings. 3/ Local sales estimated as total sales by farmers minus quantities sold to mills and bought for seed. 4/ Computed from population on December 31. 5/ Preliminary.

Source: 1933 through 1950 from Antoine Banna, Sidney J. Amore and Richard J. Foote, Peanuts and Their Uses for Food, U. S. Department of Agriculture, Washington, 1952, page 12. 1951-1953 and revisions of earlier years from Bureau of Agricultural Economics.

Note: During World War II the per capita consumption of peanuts increased considerably because of wartime shortages of other food items. The rationing of meat and sugar, for example, aided in increasing the demand for peanuts to an all-time high. When these shortages of other food items no longer existed the consumption of peanuts was reduced. Sugar rationing began in April, 1942 and ended in July, 1947. Meat rationing began in March, 1943 and ended in November 1945. Not only was peanut butter not rationed during the war but its consumption was subsidized by the Government through the payment of four to four and one-half cents per pound to peanut butter manufacturers on the basis of the quantity of peanut butter sold for home consumption in containers of two-pound sizes or smaller. The effect was to reduce the consumer price from 33.1 cents per pound to 26.5 cents per pound. This program was in operation from November 1943 until November 1945. The cost of this program totalled \$19,483,000.

Fats and Oils Branch, PHA
Program Analysis Division
October 23, 1953

Table 2 - Peanuts and tree nuts (shelled basis): Per capita consumption, crop years 1933-52 ^{1/}

Year	Peanuts	Almonds	Filberts	Pecans	Walnuts	Cashews	Other	Total
	Pounds	Pounds	Pounds	Pounds	Pounds	Pounds	Pounds	Pounds
1933	3.56	.12	.03	.23	.25	.11	.13	4.43
1934	3.30	.11	.03	.16	.33	.14	.20	4.27
1935	3.97	.17	.04	.35	.34	.16	.27	5.30
1936	4.53	.16	.05	.17	.27	.20	.26	5.64
1937	4.31	.19	.03	.30	.38	.20	.25	5.66
1938	4.29	.14	.03	.20	.32	.22	.26	5.46
1939	4.34	.20	.05	.27	.37	.19	.26	5.68
1940	4.88	.11	.03	.34	.32	.25	.29	6.22
1941	4.97	.09	.04	.33	.44	.23	.16	6.28
1942	6.56	.22	.03	.23	.34	.06	.08	7.52
1943	6.34	.23	.05	.37	.37	.05	.02	7.43
1944	7.02	.35	.10	.40	.41	.13	.03	8.44
1945	6.19	.33	.10	.37	.38	.21	.03	7.61
1946	4.92	.35	.13	.20	.38	.21	.19	6.38
1947	4.52	.30	.08	.30	.33	.19	.25	5.97
1948	4.29	.29	.09	.43	.37	.25	.23	5.95
1949	4.16	.26	.10	.30	.41	.26	.26	5.75
1950	4.36	.32	.06	.30	.36	.35	.20	5.95
1951 ^{3/}	4.43	.29	.08	.37	.42	.26	.20	6.05
1952 ^{3/}	4.38	.28	.10	.36	.43	.28	.18	6.01

^{1/} Year begins July 1 of year indicated, except for peanuts. For peanuts, year beginning 1933-37, Southwestern section, August 1; Southeastern section, September 1; Virginia-Carolina section, November 1; 1938 to date, September 1.

^{2/} Includes the following nuts: Brazil, pignolia, pistache, chestnuts, and miscellaneous tree nuts.

^{3/} Preliminary.

Source: Peanuts from Table 1. Other nuts from Bureau of Agricultural Economics, The Fruit Situation, U. S. Department of Agriculture, Washington, July-August 1953, Page 19.

Fats and Oils Branch, PMA
Program Analysis Division
October 23, 1953

Table 3

Peanuts: Wholesale price of shelled peanuts and specified tree nuts, 1933-1953

Year 1/	Price Per Pound (cents)						
	Wholesale						
	Peanuts 2/	Cashews 3/	Almonds 4/	Filberts 5/	Pecans 6/	Walnuts 7/	Brazil Nuts 3/
1933	5.1	16.0	32.6	25.8	38.7	40.4	20.3
1934	8.0	16.8	35.3	30.6	43.0	47.3	21.3
1935	10.1	17.4	41.0	31.0	55.2	41.1	23.2
1936	8.3	19.5	47.6	34.5	36.9	43.5	26.0
1937	9.1	19.2	53.8	31.9	44.3	41.4	34.3
1938	8.2	14.9	41.5	29.1	39.3	40.9	24.6
1939	8.7	15.4	35.4	32.4	44.0	40.3	20.2
1940	3.6	19.0	36.0	25.6	45.2	41.7	17.5
1941	10.2	25.7	58.0	52.4	39.6	48.6	25.3
1942	14.8	33.8	67.0	65.1	43.2	53.0	40.2
1943	18.7	71.2	88.3	82.1	89.9	85.8	81.6
1944	18.1	69.0	93.1	85.9	87.6	85.8	
1945	18.0	60.0	82.2	88.1	84.1	84.0	75.0
1946	23.0	44.5	73.2	74.5	90.8	83.3	69.9
1947	24.1	38.9	70.7	74.2	117.6	79.0	58.3
1948	22.8	32.3	70.1	44.6	71.9	65.7	46.7
1949	23.3	27.0	50.2	37.5	30.0	89.6	51.4
1950	31.4	35.6	59.4	53.2	101.3	82.4	56.3
1951	27.4	41.3	69.1	66.9	93.0	88.4	69.0
1952	26.2	41.8	64.2	49.4	80.4	86.0	71.2
1953-Jan, Sept.	26.7	42.0	62.6	53.2	85.0	85.0	64.4

- 1/ Calendar year for all nuts; price received for preceding crop for popcorn.
- 2/ Virginia-type, shelled, extra-large, New York.
- 3/ 1933-38, standard pieces; 1939-53, fancy pieces, New York.
- 4/ California non-pareil-type: 1933-43, average all sizes; 1944, extra large; 1945, sheller run; 1946-53, average all sizes, N. Y.
- 5/ 1933-35, 1937 and 1938, Barcelona; 1942-46, Oregon Barcelona, average all sizes; 1936 and 1939-41, Levant, average all sizes; 1947, Levant, large; 1948-53, Levant, extra-large, New York.
- 6/ 1933-44, medium; 1945, fancy pieces; 1947-53, fancy halves, N. Y.
- 7/ 1933-38, imported average all kinds; 1939-43, domestic California; 1944, California pieces; 1945-48, California halves and pieces; 1949-53, light halves, New York.
- 3/ 1933-38, medium whole; 1939-43 and 1946-53, medium whole unblanched; 1944-45, whole, New York.

Source:

1933 through 1950 from Antoine Banna, Sidney J. Armore and Richard J. Foote, Peanuts and Their Uses for Food, U.S. Department of Agriculture Washington, 1952, page 12. 1951-1953 from Bureau of Agricultural Economics.

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UNITED STATES DEPARTMENT OF AGRICULTURE
Bureau of Agricultural Economics

THE OUTLOOK FOR TOBACCO FOR 1954

Statement presented by Arthur G. Conover, at the 31st
Annual Agricultural Outlook Conference, Washington,
D. C., October 28, 1953.

There are over three-fourths of a million growers in this country who, together with their families, depend on tobacco for a substantial part of their income. The ultimate markets for this tobacco are the millions of consumers in this country and in the many foreign countries that import United States tobacco. Exports of tobacco from the United States generally take about one-fourth of total production.

Domestic demand for most tobaccos is expected to continue firm in 1954. Exports of unmanufactured tobacco during the 1953-54 marketing year are expected to be as large as the estimated 500 million pounds (farm-sales weight) in 1952-53.

The various tobaccos grown in the United States are used in five principal product categories. Export markets for leaf vary somewhat according to kind. Let us consider separately the 1954 prospects for each of the various kinds of tobacco.

Flue-cured tobacco production accounts for about three-fifths of total tobacco production in the United States. It is the leading cigarette tobacco and, in recent years, from 75 to 85 percent of total exports of unmanufactured tobacco have been flue-cured. Cigarette output in this country in 1953 is expected to be around 438 billion--slightly above 1952. Approximately nine-tenths of this country's output is consumed in this country and most of the remainder is shipped to overseas forces and exported to foreign buyers. Since the number of smokers in 1954 is likely to increase a little and consumer income available for spending in 1954 is expected to be about the same as this year, cigarette consumption and output in 1954 are expected to be close to this year's levels. Indicated cigarette consumption during the early months of 1953 was above that in the comparable period of a year earlier but during the April-July period, there appears to have been a small decline below the rate of a year earlier. This is believed to be only temporary and consumption for the year as a whole is expected to exceed that of 1952 by a slight margin. The average annual rate of gain in the years 1946 through 1952 was 3 1/2 percent. From 1952 to 1953, it is estimated as being only about 1 percent higher. Although there is no official data on the proportion of extra length or "king size" cigarettes, trade reports indicate that they are continuing to trend upward and account for a larger share of the total consumption each year.

This year's crop of flue-cured is estimated to be 10 percent less than last year. Hot, dry weather lowered yields particularly in the Old Belt of North Carolina and Virginia. Carryover is larger and total supply for 1953-54 is almost as much as for 1952-53. Flue-cured disappearance in 1953-54 is likely to be a little higher than in 1952-53 since domestic use may be up some and exports are expected to be at least as much. The 1952-53 flue-cured exports were 17 percent below 1951-52. The decline was due mostly to the reduced takings by Britain. Substantially larger amounts

went to Germany and the Netherlands. During the past year or two, a number of important foreign countries that import significant quantities of United States tobacco improved their economic position. Cigarette consumption continues on the uptrend in several countries and in general, stocks of United States tobacco are low relative to consumption.

The marketings of the 1953 crop of flue-cured are well along. For the season through mid-October, prices averaged 55 cents per pound--9 percent above a year earlier and well above the support level. Much less has gone under Government loan this season than last.

Prices of the 1954 crops of flue-cured and Burley will be supported at 90 percent of parity.

Burley tobacco ranks next to flue-cured in volume. Its major outlet is cigarettes, which have already been considered. Other outlets are smoking and chewing tobacco. The 1953 output of smoking tobacco is estimated at 92 million pounds--about 5 percent less than 1952 and the lowest this century. No appreciable pickup is expected in 1954. The 1953 output of chewing, estimated at 84 million pounds, is about 1 percent below 1952. The decline has slowed some in the last 3 years but the gradual downtrend seems likely to continue. Burley supplies for 1953-54 are estimated at a little above 1952-53. The 11 percent drop in production from last year's record is more than offset by the estimated increase in carryover. Domestic use, which accounts for around 94 percent of total disappearance of Burley, probably will be a little larger in 1953-54 than in 1952-53. Exports of Burley have held fairly stable over the past 3 years and no marked change is expected. The 1953 crop auctions are expected to begin as usual around December 1. The price support level is 46.6 cents per pound. Last season, the crop averaged 50.3 cents, only slightly below the record season average of a year earlier.

Fire-cured tobacco finds its major domestic outlet in snuff. Exports have accounted for between 45 and 55 percent of total disappearance in recent years and have been substantially below prewar levels. The 1953 output of snuff is estimated at 38 million pounds--slightly less than last year. Next year's output is expected to be fairly close to this year's. Exports of fire-cured during most of 1952-53 have run somewhat above those in the comparable period of 1951-52. The total supply of fire-cured tobacco for 1953-54 is probably 4 or 5 percent below that for each of the preceding 2 years. The 1953 crop may turn out to be the smallest on record--drought conditions having sharply affected the outturn.

The 1954 fire-cured and dark air-cured crops will receive price support at 75 and 66 2/3 percent of the Burley support level, respectively.

Dark air-cured tobacco is used principally in chewing tobacco but some is exported as Black Fat--a semiprocessed form--or as leaf. Dark air-cured tobacco is a component of plug, twist, and fine-cut chewing which account for about 55 percent of total chewing tobacco--already mentioned in the discussion of Burley. Exports of dark air-cured in 1952-53 were down from a year earlier. The supply of dark air-cured tobacco for 1953-54 is estimated to be slightly below the 1952-53 level. Drought conditions reduced this year's harvestings but carryover is probably 5 percent larger.

Marketings of the individual fire-cured and dark air-cured types begin from in late November to mid-January. The 1953 price support levels

are 35.0 cents per pound for fire-cured and 31.1 cents for dark air-cured (including Virginia sun-cured). In both cases, they are about 6 percent lower than last season.

The Secretary of Agriculture has proclaimed marketing quotas on the 1954 crops of Maryland tobacco, Pennsylvania filler tobacco, and the other combined continental cigar filler and binder types. Growers will vote on October 29 on whether they favor quotas or are against them.

When quotas are in effect, price support is mandatory at 90 percent of parity but if disapproved, no price support can be made available.

Maryland tobacco finds its major outlet in cigarettes. Exports account for about one-fifth of total disappearance and are estimated to have been up some in 1952-53 over a year earlier. The 1953-54 total supply of Maryland tobacco is estimated at around 2 percent above 1952-53. The increase in carryover more than offsets the indicated 5 percent decrease in production. The 1953 crop was grown under a marketing quota and acreage allotments for the first time. Price support is 50.4 cents per pound. Most of the crop will be marketed next spring and summer.

Cigar tobacco consists of several different types that are used mainly in cigars. Some lower grades, particularly of the binder types, are used in the manufacture of scrap chewing, which constitutes about 45 percent of total chewing tobacco. Also, some cigar tobacco, principally wrapper and binder types, are exported. This year's cigar consumption in the United States and by overseas forces is estimated at around 6,150 million--2 percent above 1952 and the largest since 1930. Cigar consumption in 1954 seems likely to be maintained near the 1953 level. The 1953-54 total supply of continental cigar filler is estimated at 9 percent lower than the 1952-53 level. The relatively small Pennsylvania crop for 2 years in a row is the main reason for the smaller total supply. The 1953-54 total supply of the combined binder types is down approximately 7 percent--due mostly to the drop in carryover. The 1953-54 supply of domestic cigar wrapper is 7 percent below 1952-53. Both carryover and production are below a year earlier. Exports of wrapper in 1952-53, accounting for one-fourth of total disappearance, were 22 percent above 1951-52.

Price support at 90 percent of parity is in effect for the 1953 crops of cigar filler and binder types, except for Pennsylvania filler type 41. Growers of the latter type disapproved a quota on their 1953 crop.

Virtually all Broadleaf and probably four-fifths of the Havana Seed (Connecticut Valley types) have been sold. Indications are that prices averaged higher than last season.

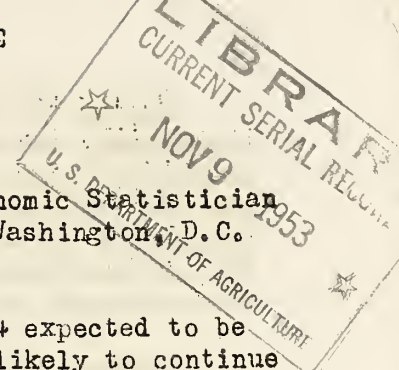
* This represents the highlights of the 1954 outlook issue *
* of The Tobacco Situation for October 1953, a processed *
* publication by the Bureau of Agricultural Economics. *

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UNITED STATES DEPARTMENT OF AGRICULTURE
BUREAU OF AGRICULTURAL ECONOMICS

THE OUTLOOK FOR VEGETABLES IN 1954

Statement by Herbert W. Mumford, Jr., Agricultural Economic Statistician
at the 31st Annual Agricultural Outlook Conference, Washington, D.C.
October 29, 1953



With consumer income available for spending in 1954 expected to be fairly close to that of 1953, demand for vegetables is likely to continue fairly strong in 1954, at levels not much different than in 1953.

POTATOES

Farmers know only too well that so far as potatoes are concerned, they will be "on their own" again in 1954. No one will be required to plant fewer acres than he desires, nor, under present legislation, will there be a price support program, regardless of acreage.

Prices for potatoes in early 1954 will be heavily affected, of course, by stocks carried over from the large crop this year in the Late States. The 1953 Late potato crop is larger than that of 1952 by not quite 11 million bushels, or 4 percent.

Most of the increase in crop occurred in the Central and Eastern Late States, particularly in Maine, with the crop actually smaller than a year earlier in the Western Late States. Consequently, potatoes from Western States are expected to fare better price-wise, than those from Eastern States.

The apparent supply situation may be alleviated somewhat by stricter grading and sizing observed this year in some areas, stimulated both by marketing agreements and orders, and by the feeling that it might not pay to ship the lower grades and smaller sizes.

Merchantable stocks next January 1 are expected to be larger than those of a year earlier. Unless the early commercial potato crop in 1954 is considerably smaller than in 1953, prices in early 1954 for new and old potatoes may be about as low as the depressed prices in the spring of 1953.

Both the long-time down-trend in total potato acreage, and the natural response of farmers to cut acreage following low prices, would indicate smaller potato acreage in 1954. Acreage cuts that may be made might be offset in considerable part by higher yields, if average weather conditions prevail and the recent upward trend in yields continues. Growers intentions to plant for winter potato harvest in Texas and Florida indicate an acreage 25 percent less than the acreage harvested this past winter but 7 percent more than the 1942-51 average.

SWEETPOTATOES

Consumer demand for sweetpotatoes is expected to continue strong next year. No serious difficulty is expected in marketing this year's crop, which is estimated to be 19 percent larger than the very small 1952 crop but 38 percent smaller than the 1942-51 average.

During the World War II and post-war years of general economic prosperity, the acreage and production of sweetpotatoes grown as a non-commercial crop for home-use have declined rapidly, while production for sale has declined much less or increased in some areas. So long as industrial employment and wages remain high, it is not logical to expect an early return to the relatively high levels of per capita consumption of sweet potatoes that occurred in the early 1940's.

Whether total acreage and production of sweetpotatoes rise in 1954 over 1953 will depend in part upon the experience farmers have in marketing this year's crop. As of mid-September this year, prices to farmers for sweetpotatoes averaged \$2.64 per bushel, compared to \$3.35 a year earlier. In the last few weeks prices at country shipping points and terminal markets have been strengthening but remain somewhat lower than a year earlier.

COMMERCIAL FRESH MARKET VEGETABLES

Consumer demand for fresh vegetables in 1954 is expected to be about as strong as in 1953. If production is no larger than in this year, prices received by farmers for fresh market vegetables probably will average near those received this year, when they were in general slightly to moderately lower than in 1952. However, marketing difficulties will arise if overplanting occurs or if weather distorts the usual pattern of marketing.

Commercial vegetable growers generally have adjusted production from year to year in line with their price expectations, with the result that total production has remained in fairly good balance with demand. For this reason, it does not appear likely that in general there is room for an immediate expansion in production of vegetables to provide an outlet in 1954 for acreage diverted from other crops.

In the first 3 quarters of 1953, production of most commercial fresh vegetables was larger than a year earlier, with lower prices as a result. The usual reaction of established growers would be some acreage reduction in corresponding quarters of 1954.

Prices received by farmers this fall and winter will be influenced by supplies stored from this year's crop, which are below last year and below average for carrots, but above last year and near average for early fall cabbage and late summer onions. Intentions-to-plant reports point to an acreage of cabbage for winter-harvest 9 percent below that harvested this past winter, and 5 percent below the 1949-52 average.

VEGETABLES FOR COMMERCIAL PROCESSING

Recent trends would indicate that per capita consumption of total canned vegetables in 1954 probably will be about on the same level as this year, while that of frozen vegetables probably will increase. Frozen green peas and lima beans probably will make further advances at the expense of fresh market volume.

The level and trend in cold storage holdings of frozen vegetables indicate that this year's frozen pack may be even larger than last year's record large pack of 896 million pounds. Per capita consumption of frozen vegetables this year probably will exceed $5\frac{1}{2}$ pounds.

Consumption of canned vegetables per capita this year and next probably will be at about the 41 pound level of last year. Early indications as to pack and stocks indicate that total supplies of canned vegetables for distribution in the 1953-54 marketing year will be adequate to maintain consumption on about the same level as at present, with no significant change in the general level of prices. With some shifts between crops as may be dictated by stocks on hand next spring, there probably will be a sound basis again in 1954 for canning and freezing operations on about the same total scale as in this year.

DRY EDIBLE BEANS AND PEAS

While domestic demand for and consumption of dry beans is expected to continue in 1954 at about the same level as this year, foreign takings may decline somewhat,

Annual disappearance of beans has exceeded the size of the crop produced for several years now, and stocks of beans which were huge a few years ago have now been reduced to low levels, with government holdings virtually exhausted. Although this year's crop is slightly larger than last year, total supplies including stocks are significantly smaller than a year earlier.

Consequently, fewer beans will be available for export in this crop-marketing year, and probably at higher prices.

Up to a few years ago, Mexico was not a heavy importer of United States beans. However, a recent succession of years of unfavorable weather made her an important customer for some of our exports. Moisture conditions are now reported to be more favorable for Mexico. If her production increases substantially next year, her imports from the United States probably will drop, but probably not down to the prewar level.

The 1953 crop of dry peas is 28 percent larger than the small 1952 crop, and probably will return lower prices to farmers. Supplies appear ample to allow domestic consumption to remain at the usual level of two-thirds to three-fourths of a pound per capita. Trade stocks - which had been reduced to very moninal levels in the last few years - probably will be larger at the end of this marketing year than now.

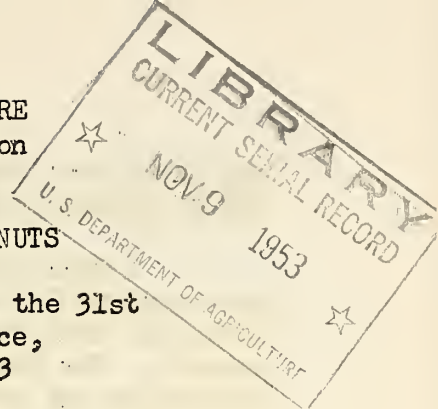
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* This represents the highlights of the 1954 Outlook issue of *
* "The Vegetable Situation" for October 1953, *
* a processed publication issued by the *
* Bureau of Agricultural Economics *
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UNITED STATES DEPARTMENT OF AGRICULTURE
Production and Marketing Administration

THE 1953 PRICE SUPPORT PROGRAM FOR PEANUTS

Statement presented by Howard A. Akers at the 31st
Annual Agricultural Outlook Conference,
Washington, D. C., October 29, 1953



There are three peanut-producing areas in the United States-- the Southwestern area, the Southeastern area, and the Virginia-Carolina area. Peanut farmers in the Southeastern and Southwestern areas are now in the final period of harvesting and marketing the peanuts which they produced this year, but the crop is just beginning to move to market in the Virginia-Carolina area.

As you know, we have had acreage allotments and marketing quotas on peanuts each year since 1948, and price support is available on quota peanuts only. Therefore, one of the eligibility requirements for price support is that the producer have a within quota marketing card.

The price of eligible 1953 crop quota peanuts is being supported at 90% of parity. This price, which varies by type and grade, is \$229 per ton for base grade Virginia peanuts, \$213 for Runners, \$234 for Southeast Spanish, and \$230 for Southwest Spanish.

For 1954 crop peanuts, the law provides that the support price shall be 90% of parity if the producers approve marketing quotas for 1954. Producers will vote, in a referendum to be held on December 15 of this year, on the question of whether or not they will have peanut marketing quotas for the years 1954, 55, and 56. If as many as 2/3 of the producers voting in the referendum are in favor of quotas, they will be in effect all three years.

If less than 2/3 of the voting producers are in favor of quotas, there will be no acreage allotments and no marketing quotas on the 1954 crop, and the support price will be an amount equivalent to 50% of parity. Then it will be necessary to hold another referendum next fall so that the farmers can decide whether or not quotas will be in effect in future years.

If marketing quotas are in effect after 1954, the law provides for price support each year at a sliding scale rate based on the supply of peanuts as of the beginning of the marketing year, which is August 1. For example,

The minimum level of
price support shall be:

90% of parity
89% of parity
88% of parity

If the supply percentage is:

108% or less,
Over 108% but not more than 110%,
Over 110% but not more than 112%,

and so on down the line until the minimum price support level would be 75% of parity when the supply percentage is more than 150%.

I have told you that the price of 1953 crop peanuts is being supported at 90% of parity. Now I want to tell you how the program works and what the farmer has to do to get the support price for his peanuts. The program is carried out through the facilities of the Production and Marketing Administration, and the State PMA Committees are responsible for making price support available to the producers within their respective States.

The price of 1953 crop peanuts is supported through farm storage loans, warehouse storage loans, and loans to cooperatives operating under agreements to receive, store, and handle peanuts for producers. Loans are available now and will continue to be available through January 31, 1954. Cooperatives also will accept peanuts from producers through January 31. All loans mature on May 31, 1954.

Farm Storage Loans

The 1953 farm storage loan program is about the same as it was in 1952. If a producer wants a farm storage loan, the county office will send an inspector out to the farm to estimate the quantity of peanuts in storage and take a sample. After the sample is graded by the Federal-State inspection service, the county office prepares and approves the loan documents, and determines the amount of the loan. In computing the quantity of peanuts to be placed under loan, the county office deducts an amount, equal to at least 5% of the gross weight, as a safety factor against any error which may have been made in estimating the quantity in storage. This is done in an effort to avoid an under-delivery at maturity if the producer delivers the peanuts to CCC.

After the county committee has approved the farm storage loan documents, the producer may take them to a lending agency, which is probably his local bank, and obtain his loan; or he may obtain a direct loan at the county office. The producer may pay off his loan and redeem the peanuts at any time during the loan period. However, if he does not pay off the loan, he must deliver the peanuts to CCC at maturity. Settlement with the producer at maturity will be made at the support price for the type, grade and quantity of peanuts delivered, plus an allowance of 4/10 of a cent per pound to cover loss by shrinkage during the storage period. This is comparable to the shrinkage allowance for peanuts in warehouse storage.

Warehouse Storage Loans

The 1953 warehouse storage loan program is also about the same as it was in 1952, except for the fact that CCC will assume, to a certain extent, the shrinkage loss on 1953 crop peanuts delivered to

CCC at maturity. Warehouse storage loans are made through the county office on the basis of warehouse receipts issued to the producer by a warehouseman under contract with CCC. Very few producers participate in the warehouse storage loan program, because the cooperatives operate in most of the areas where warehouse storage is available; and it is usually to the farmer's advantage to deliver his peanuts to the cooperative.

Loans to Cooperatives

This year CCC is making loans to five cooperatives. Two of them are the Southwestern Peanut Growers Association, which operates in the Southwestern area, and the GFA Peanut Association, which operates in the Southeastern area. Both of these Associations have been cooperating in the various price support programs for many years. There are two other cooperatives in the Southeastern area which are operating under agreements with CCC this year for the first time. They are the Farmers Gin and Peanut Association at Omega, Georgia, and the Gacar Peanut Growers Association, Inc., at Waynesboro, Georgia. The Growers Peanut Cooperative Association at Franklin, Virginia, which also has been participating in the price support programs for many years, is liquidating, and therefore, has transferred its assets, liabilities, and responsibilities under the price support program to a new cooperative for that area, which is the Peanut Growers Cooperative Marketing Association, with headquarters at Aulander, North Carolina.

Although this year the cooperatives are not obligated to set up warehouses and receive peanuts from producers throughout the entire production area in which they are located, their operations are widespread, and they will handle the bulk of the 1953 crop. Last year, only one cooperative operated in each of the three areas, and each one did agree to set up receiving points throughout the entire area. This year, CCC is not making any loans to cover the cooperatives' operating costs; therefore, we make no effort to direct the extent to which they will set up peanut warehouses. However, they are cooperating with the State PMA Committees, and in many instances the cooperatives are accepting the responsibility for establishing receiving points at locations convenient to the producers.

Under the cooperative loan program, the cooperative enters into a 1953 Cooperative Loan and Warehouse Agreement with CCC. It then obtains warehouse storage space for the peanuts which it will receive from producers. Some cooperatives own and operate a few warehouses, but those who handle large quantities of peanuts have contracted with warehousemen for additional space in locations where they will need it. The cooperatives may also store peanuts in warehouses under contract with CCC.

Each cooperative executes a "blanket" note with its lending agency bank which is operating under a lending agency agreement with CCC. After the cooperative has signed the Agreement with CCC, obtained its warehouse space, and executed its note, it is ready to receive peanuts and place them under loan.

The producer is required to deliver his peanuts to the cooperative warehouse or receiving point. The peanuts are sampled and graded by inspectors licensed by the Secretary of Agriculture. The warehouseman determines the weight and price support value of the peanuts, and he issues a sight draft to the producer in the amount being advanced by the cooperative. The amount of the advance is the price support value of the peanuts, less warehouse storage charges, from the date the peanuts are placed in storage to the maturity date of the loan, and a specified sum to cover administrative expenses of the cooperative. The administrative expense deduction is a fixed amount agreed upon in advance by the cooperative and its producer members.

Combined with the draft to the producer is the warehouse receipt, issued to CCC, which contains the warehouseman's guarantee to deliver out of the warehouse a specified quantity of peanuts.

The producer may cash his draft wherever he chooses, and it is then sent, through regular banking channels, to the lending agency from whom the cooperative is obtaining its loan. The lending agency disburses the proper amount of the loan to the cooperative, and retains the paid draft and warehouse receipt. The amount of the loan is the price support value of the peanuts less storage charges.

The cooperatives will try to find markets for the peanuts which they have under loan. They have the privilege of redeeming peanuts at any time during the loan period by repaying that part of the loan and interest due with respect to the quantity of peanuts being redeemed. In some instances, the cooperative's warehouseman is a sheller, and the cooperative has given the sheller an option to buy a specified quantity of the peanuts stored in his warehouse. These options usually carry a penalty provision if the sheller fails to purchase the peanuts.

Last year, CCC established the minimum price at which a cooperative could sell peanuts under loan. This year, however, the cooperative is free to sell peanuts to anyone at whatever price it sees fit.

The cooperative is obligated, by the terms of its agreement with CCC, to distribute to the producers from whom it receives peanuts, the proceeds from the handling of 1953 crop peanuts under loan. This distribution may be made only in the form of cash or credit to the producer's account, unless some other form of disposition is approved by CCC.

All peanuts which the cooperative does not redeem by the maturity date become the property of CCC. Since these are non-recourse loans, delivery of the peanuts in accordance with the guarantee on the warehouse receipts is accepted by CCC in full satisfaction of that part of the loan made on the basis of the warehouse receipts outstanding at maturity. The cooperative is not required to pay interest on that part of the loan liquidated by delivering peanuts to CCC.

That is a brief explanation of the 1953 price support program. If you have any questions, we will be glad to try to answer them during the question period of this session.



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PRODUCTION ADJUSTMENTS IN DAIRYING IN VIEW OF THE OUTLOOK

Prepared by R. P. Christensen and M. S. Parsons, Bureau of
Agricultural Economics for distribution at 31st Annual
Agricultural Outlook Conference, Washington, D. C.,
October 29, 1953

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Summary

Net returns from dairying have declined over the last two years largely as the result of lower prices received for milk and butterfat in relation to prices paid for items used in production.

After having remained at about the same level for several years, milk production has been expanded in most areas during the last 12 months. National output is estimated to be at least 118 billion pounds in 1953 as compared with 115 billion in 1952. However, market outlets have not expanded, and much of the decline in prices received by farmers can be attributed to the increase in total milk production during the past year. This surplus production, however, is equivalent to only one pound of butter per person per year or about one cup of milk per person each week.

In view of the outlook for 1954 and beyond, dairy farmers need to consider more carefully than usual how best to adjust their farming to changing conditions. The supply-demand situation in prospect indicates that prices received will depend heavily on support levels. Production costs will continue high and average net incomes on dairy farms in 1954 probably will be no higher than in 1953.

With the price-cost squeeze of 1953 continuing at about the same intensity in 1954 some dairy farmers may find that they can profitably shift emphasis either to other farm enterprises or to off-farm employment. This might be partially offset by certain farms of other types shifting to dairying, but the net effect probably would be a further reduction in the number of dairy enterprises.

Most dairy farmers, however, will continue to find dairying to be the best alternative, and their efforts to maintain or increase incomes will depend on adjustments to reduce costs or increase the scale of the dairy enterprise. These are largely long-time adjustments, but can be started in 1954 if it appears that they have longer-run possibilities for reducing costs or increasing incomes. Such adjustments include wider use of many proven practices in breeding, feed production, feed utilization, use of labor, and use of buildings and equipment.

Many individual farmers can use these practices to advantage. The result, however, will often be increased output, and if carried out widely may mean larger total production and lower milk prices. Even then, however, the individual producer will usually be better off for having made the adjustment.

Farmers' opportunities will also vary by regions, depending both on the production outlook and the market outlook. In areas producing for expanding fluid markets most dairy farmers should find it profitable to gradually increase production, particularly if they can adopt cost-reducing methods in the process. In areas producing milk for manufacturing outlets some farmers may find other enterprises or off-farm employment to be their best alternatives.

PRODUCTION ADJUSTMENTS IN DAIRYING IN VIEW OF THE OUTLOOKDecisions Individual Farmers Make

Decisions farmers make with regard to adjustments in dairying are of two types. First there are decisions concerning how large a dairy enterprise to have, and in some instances whether to begin or discontinue a dairy enterprise. The question of whether or not to have a dairy enterprise is a very real one judging from the fact that the U. S. Census shows that number of farms reporting any dairy products sold declined 24 percent from 1939 to 1949. On farms where continuation of dairying obviously is desirable there are questions concerning how large the dairy enterprise should be to maximize profits from the entire farm.

In the second category are decisions concerning the production methods and resources to use in order to reduce production costs per unit of output or otherwise to maximize net returns from the dairy enterprise. Individual farmers usually can exercise little control over the prices they receive, but recent studies show that they can do much to reduce production costs.

Now what bearing does the outlook have on these decisions? Farmers who are considering whether to go in or out of dairying or whether to make substantial changes in the sizes of their enterprises will want to know what the prospects are for prices and market outlets for dairy products and for prices and supplies of feed, labor, and other items which they purchase. But their decisions usually will be based on judgments concerning prospects for more than one year ahead. The longer look is necessary when making investments which are paid for only over a period of some years. Consequently, they are interested in developments originating outside of their own farms which may influence profits from dairying over a period of several years ahead.

The second group of decisions - those relating to methods and resources to use in the dairy enterprise - usually will not be influenced much by prospects for prices and markets for dairy products in the next year. Levels of feeding and certain other practices may be affected to some extent by prices and supplies of labor, feed, and other materials. But it generally will pay individual farmers to put into effect practices which reduce physical requirements for feed, labor, and other items per unit of output since they usually will reduce unit costs with economic conditions that are likely to prevail. As demand and prices decline, it becomes more important than ever to make progress in reducing farm production costs. This may be an important way of preventing net incomes of farmers from declining drastically. Moreover, the possibilities for reducing costs will have a bearing on the total quantity of milk individual farmers will find it profitable to produce.

Current Position of Dairying 1/The Cost-Price Squeeze

Net returns from dairying in 1953 have been considerably lower than in 1952. (Fig. 1). Prices received by farmers for milk and butterfat have declined 13 percent over the last 12 months. Meanwhile, prices paid for most items used in production have remained relatively high. For example, wage rates paid for hired workers have increased slightly. Prices paid for machinery, equipment, and building and fencing materials also are slightly higher. Only in the case of feed, a farm-produced item, have prices paid for production items declined. Milk and butterfat-feed price ratios now average about the same as they did a year ago.

Mainly as the result of these changing price relationships, net cash incomes on commercial family-operated dairy farms in the Northeast will average about one-fourth lower in 1953 than in 1952. (Table 1) They will average about 10 percent lower on commercial family-operated dairy farms in western Wisconsin. In both areas total production will be a little larger in 1953 than in 1952, but cash receipts per farm are estimated to decline about 9 percent. However, cash expenditures are estimated to decline about 8 percent in the Wisconsin area, as compared with only 3 percent in the Northeast. This explains a part of the greater percentage decline in net cash income on dairy farms in the Northeast. But also important is the fact that cash expenditures are much larger in relation to cash receipts in the Northeast than in Wisconsin. Wisconsin farmers normally produce most of the feed fed to livestock, whereas Northeastern farmers purchase large quantities of feed concentrates. Because the ratio of cash expenditures to cash receipts is higher in the Northeast, each percentage reduction in prices received in relation to prices paid reduces net cash incomes from dairying more in this area than it does in Wisconsin.

Net farm income, which takes into account changes in inventories and the value of production for home use, is estimated to be about one-fourth lower on Northeastern dairy farms and about 15 percent lower on western Wisconsin dairy farms in 1953 than in 1952. Purchasing power of net farm incomes also will decline by these percentages as prices of items purchased for consumption have not changed much in the last year. However, purchasing power of net farm income will be about one-third lower on Northeast dairy farms, but only 10 percent lower on Western Wisconsin dairy farms in 1953 than in 1947-49.

As prices received for milk have declined in relation to prices paid for production items throughout the country, net returns from dairying also have been reduced in other areas.

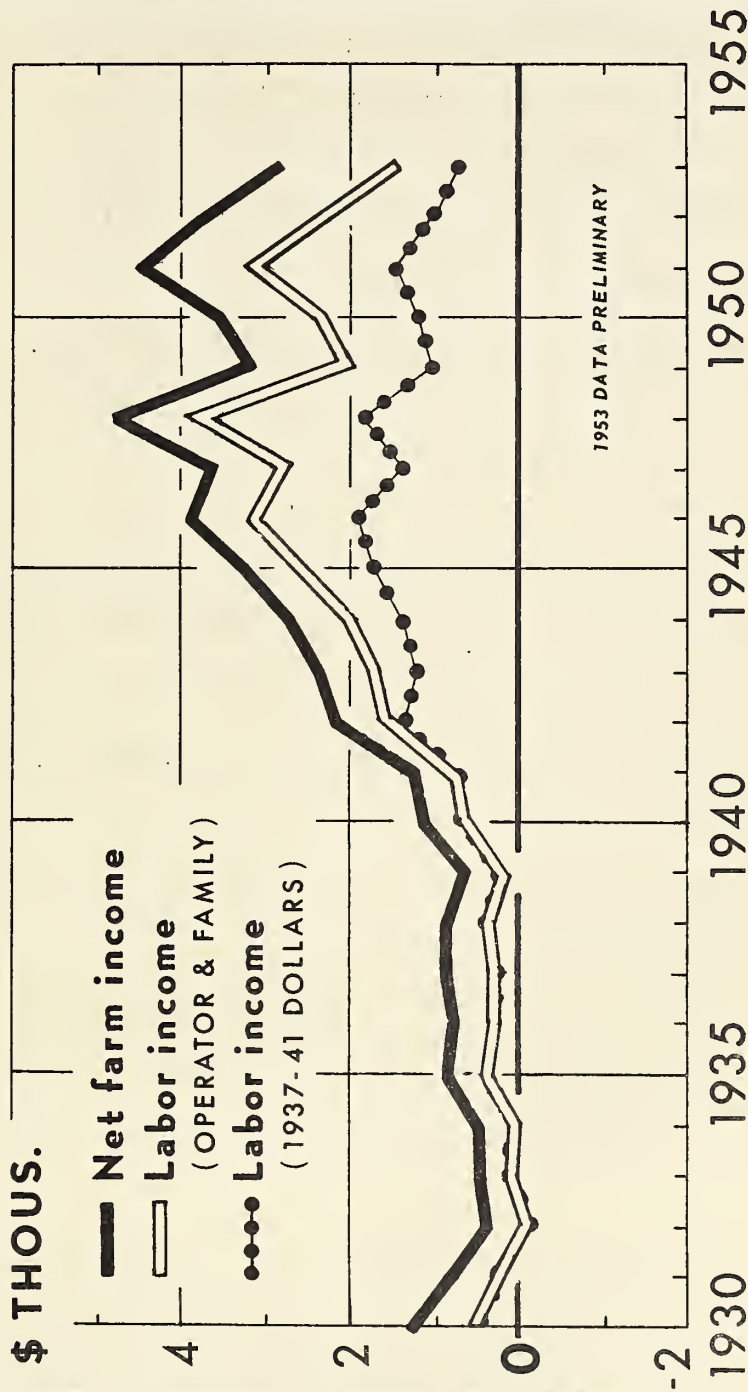
National Output and Market Outlets Compared

The decline in prices received by farmers over the last 12 months has been due mainly to expansion in total milk production. However, the current

1/ See The Dairy Situation, Bureau of Agricultural Economics, Sept.-Oct. 1953 for a detailed review of the demand and price outlook for dairying.

FARM INCOME, LABOR INCOME, AND PURCHASING POWER

Dairy Farms, Central Northeast



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Figure 1.- Net farm incomes of commercial family-operated dairy farms in the Northeast are estimated to average about one-fourth less in 1953 than in 1952 although substantially higher than the average for the 1937-41 period. Net farm income takes into account changes in the inventory values of crops, livestock, machinery, and buildings. Labor income, the return to operator and unpaid family labor for labor and management after deducting a charge for real estate and working capital, shows a greater decline from 1952 to 1953. Purchasing power of labor income is estimated to be about one-third less in 1953 than in 1952 although about 50 percent higher than the average for 1937-41.

Table 1 - Receipts, expenses, net farm income, and purchasing power of net farm income on commercial family-operated dairy farms, 1937-41. average, 1947-49 average, 1951, 1952, and 1953 preliminary 1/

Item	:1937-41: :average:	:1947-49: :average:	: 1951 : Dollars	: 1952 : Dollars	:1953 <u>2/</u> : Dollars
Central Northeast dairy farm	:	:	:	:	:
Cash receipts	: 2,588	7,865	8,718	8,710	7,900
Cash expenditures	: 2,204	5,188	5,804	6,151	5,960
Net cash income	: 384	2,677	2,914	2,559	1,940
Net farm income	: 960	3,892	4,475	3,782	2,860
Purchasing power of net farm: income (1937-41 dollars)	: 960	1,986	2,072	1,735	1,310
Western Wisconsin dairy farm	:	:	:	:	:
Cash receipts	: 1,706	5,592	6,547	6,542	5,990
Cash expenditures	: 1,008	3,391	3,913	3,991	3,700
Net cash income	: 698	2,201	2,634	2,551	2,290
Net farm income	: 1,242	3,290	3,891	3,925	3,320
Purchasing power of net farm: income (1937-41 dollars)	: 1,242	1,679	1,801	1,800	1,520

1/ See "Farm Costs and Returns 1952 (with comparisons)", Agr. Information Bulletin No. 116, Bureau of Agricultural Economics, August 1953, for additional details and definitions of the items.

2/ Preliminary estimates.

imbalance of production in relation to consumption or market outlets for dairy products is not large in relation to total output. Milk production in 1953 is expected to total 118 billion pounds, at least 3 billion more than was moved into markets. The excess is equal to the estimated expansion in output from 115 billion in 1952 to 118 billion pounds in 1953. However, the annual rate of production in the last half of this year may average about 116 billion pounds, only a little in excess of market outlets at current prices.

If 115 billion pounds represent the output that could be marketed at current prices, production in excess of this quantity might be called the surplus measured in economic terms. However, from a nutritional standpoint, a larger consumption of dairy products would be desirable. The so-called surplus would quickly disappear if consumption of fluid milk averaged as high as it has in some years in the past. For example, 7.5 billion more pounds of milk would have been consumed in the last year if per capita consumption of fluid milk had averaged as high as it did in 1945. Even if per capita consumption of fluid milk had averaged only 5 percent or 18 pints per person higher than it did, there would have been no surplus production in the past year.

The recent increase in milk production occurred quite generally throughout the country in areas producing milk mainly for fluid consumption as well as in the so-called manufactured product areas. However, most of the additional output has gone into manufactured products - butter, cheese, and nonfat dried milk solids. Domestic consumption of these products has increased a little, but per capita consumption of fluid milk has remained about the same as a year ago. As a result, excess stocks of manufactured dairy products representing an output of milk equivalent to around 3 billion pounds have been accumulated from milk produced in the past year.

Production Adjustment Problems

Farmers thus are faced with two types of adjustment problems. First, there is need for bringing dairy output into balance with changing market outlets on a national, regional, and local area basis. This is necessary to avoid surpluses which reduce prices and gross returns in areas where market outlets contract and to take advantage of expanding outlets in others. Second, there is need for improving production methods and lowering production costs. The latter can help to maintain and in some instances improve net incomes even though prices received decline in relation to prices paid.

A longer look at the past shows that much progress has been made in achieving desirable adjustments. In fact, the adjustments in farm production and utilization of milk that may be necessary to bring production into balance with market outlets appear to be relatively small as compared with those that have taken place over the last 10 years. Also, there has been much improvement in the internal organization and operation of dairy enterprises.

Recent Progress in Achieving Desirable Adjustments

Changes in Production

Unlike most other animal products, national production of milk on farms has declined in recent years except for the increase in the last year. Total production increased from 109 billion pounds in 1940 to nearly 120 billion in 1945 but then declined to 115 billion in 1952.

Milk production has been reduced substantially in the area from Minnesota, North Dakota, and Montana, south to Oklahoma and Texas. In fact, total production of milk on farms in this region was about 15 percent less in 1952 than in 1940. The only States west of the Mississippi which show increases since 1940 are Missouri, Utah, Arizona, and California. Expansion measured in percentage terms has been greatest in the Southeast. However, increases measured in absolute terms have been greatest in Wisconsin, Michigan, New York, and Pennsylvania. Production in the New England States has not changed significantly (Fig. 2).

These national and regional changes in milk production appear to have been in line with developments affecting prices and market outlets for farm products and farm production costs in the different regions.

Effects of Demand Changes

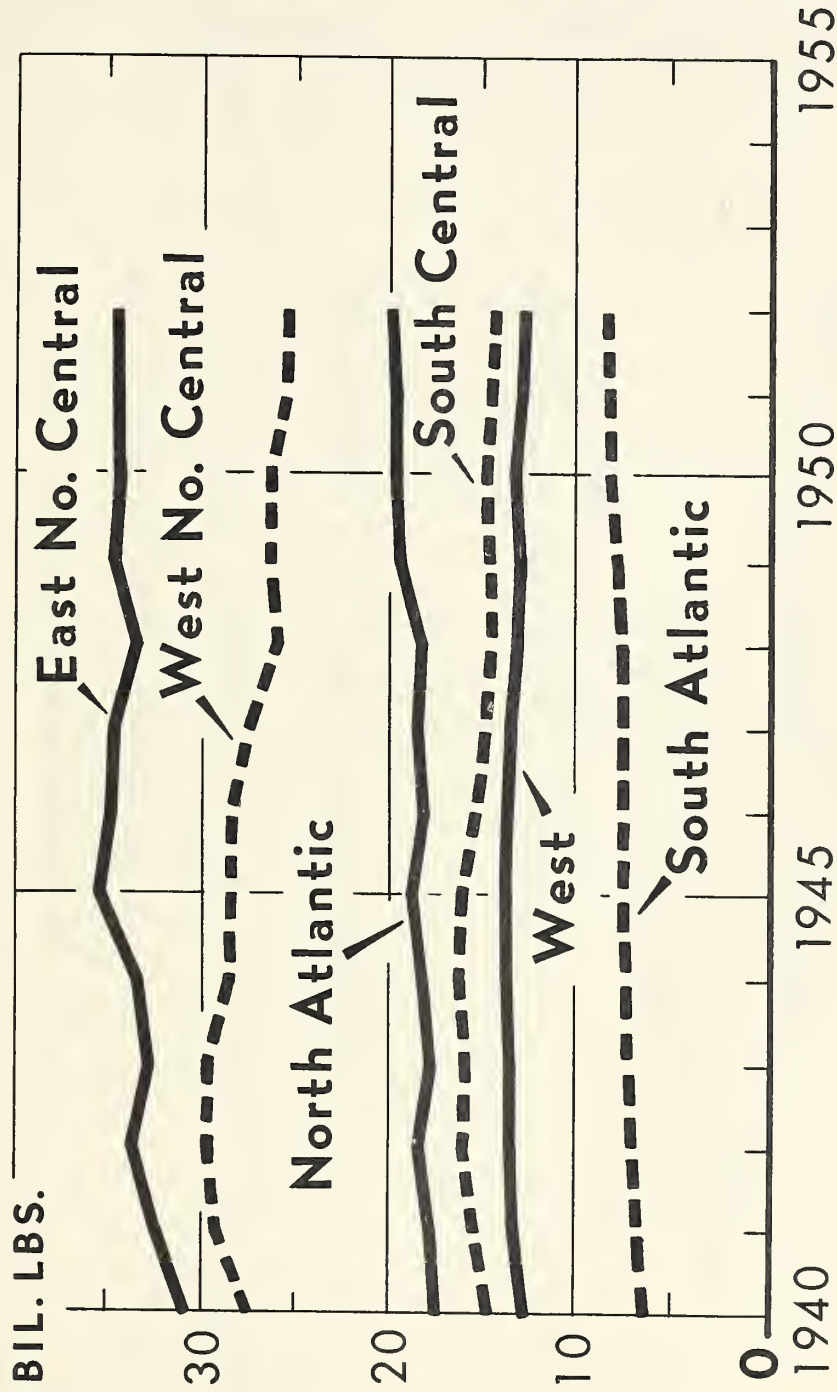
Considered in national terms, postwar demand did not increase as much for milk as for other animal products. In most years since 1940, prices received by farmers for milk and butterfat averaged lower in relation to prices of other livestock products than they did in earlier years.

The demand for milk at the farm level, of course, is affected by the uses made of milk. The total quantity of milk used to make butter has been reduced despite considerable population growth. A reduction of 8 pounds or nearly one-half in per capita consumption of butter from 1940 to 1952 more than offset the effects of population growth, and the total quantity of milk used to make butter has been reduced about one-third (Fig. 3). However, demand for milk consumed in other forms has increased more than enough to offset the effects of reduced butter consumption. The quantity utilized for butter production was about 16 billion pounds less in 1952 than in 1940 while the quantity used for other purposes increased about 22 billion.

It is significant that per capita consumption of milk fats consumed in all forms declined from 32 pounds in 1940 to 27 pounds in 1952 or about 15 percent. However, total population has increased nearly 19 percent, and total consumption of milk fats has been increased slightly. There has been a net increase of about 3 pounds in per capita consumption of milk fats consumed in fluid milk, cream, and dairy products other than butter. On the other hand, total consumption of milk solids-not-fat has been increased about one-third. However, most of this increased consumption has been achieved by more complete utilization of the solids-not-fat in milk for

MILK PRODUCTION ON FARMS

By Regions

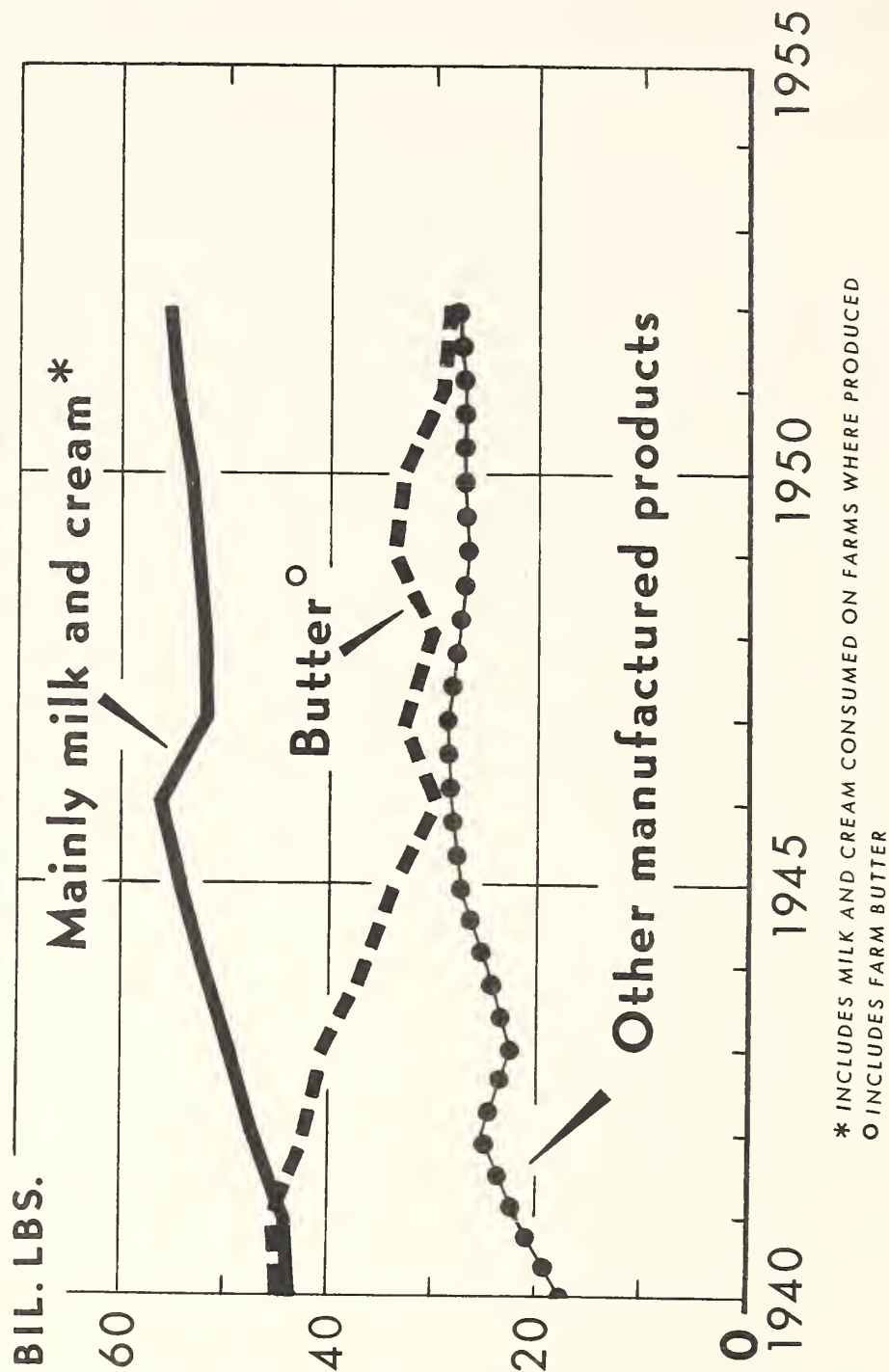


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Figure 2.- Total milk production on farms increased from 109 billion pounds in 1940 to 120 billion in 1945 and then decreased to 115 billion in 1952. Production expanded in all regions from 1940 to 1945. However, it declined 9 percent in the West North Central region and 2 percent in the South Central from 1945 to 1952. It remained about the same in the East North Central Region and in the West but continued to increase in the North and South Atlantic regions. Total milk production on farms is estimated to be at least 118 billion pounds in 1953 with increases taking place in most areas from 1952.

UTILIZATION OF MILK



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Figure 3.- The total quantity of milk used to make butter decreased 16 billion pounds from 1940 to 1952. The quantity consumed mainly as fluid milk and cream increased about 12 billion pounds and the quantity used for other manufactured products increased nearly 10 billion. In 1953 somewhat more milk will be consumed as fluid milk and cream but most of the expansion in total production from 1952 to 1953, around 3 billion pounds, will be used for manufactured products.

human use and only a small part by increased population. A much larger proportion of the milk produced on farms than formerly, now is sold in whole form and a smaller proportion as farm skimmed cream (Table 2).

Changes in demand for milk differ greatly by regions, and these differences have had considerable influence on regional changes in milk production. In areas where milk had been marketed mainly in whole form, such as in the North and South Atlantic and certain other States, demand for milk has increased and farmers in these areas have found it profitable to increase production where they have had the capacity to do so. On the other hand, there has been a net reduction in demand for milk from areas that produce milk mainly for use in making butter. Farmers in some States such as Minnesota and Iowa have made substantial shifts from delivery of cream to whole milk in order to take advantage of the expansion in demand for solids-not-fat in milk. But even with these shifts, prices of milk declined in relation to other farm products and milk production was reduced. Other States such as those from North Dakota south to Kansas still sell most of their milk as cream, and prices received by farmers in these States depend almost entirely on values of butterfat.

Effects of Changes in Production Costs

Now turning to changes in production costs, it seems evident that costs of producing milk have not changed much in relation to costs of other farm products which use similar resources. Estimates made for commercial family-operated farms show that costs per unit of all production on dairy farms were nearly two and one-half times as high in 1952 as in 1937-41 (Table 3). Costs per unit of production have not increased quite so much on hog and beef farms or cash-grain farms in the Corn Belt, and they have increased much less on wheat farms in the Great Plains. On the other hand, unit costs have increased much more for cotton farms and cattle and sheep ranches.

If these changes in costs per unit of production are representative of changes for different enterprises, it is evident there would have been some financial incentive, aside from changes in product price relationship, to expand production of other livestock products in place of dairying on farms where this is possible. Actually, as has been pointed out, prices received by farmers for milk have increased less than those for other farm products in most areas from 1937-41 to 1952.

Production costs, of course, are influenced by changes in production technology which affect the quantities of resources used per unit of output and by changes in prices or cost rates for resources such as labor, feed, and capital equipment and materials. Estimates made for the commercial family-operated farms show that the total quantity of resources used per unit of production has declined 5 to 10 percent on dairy farms since 1937-41 (Fig. 4). Progress in this respect has been greater for livestock farms in the Corn Belt and much greater for wheat farms in the Great Plains. With regard to items used in production, prices paid for labor have increased

Table 2.- Disposition of milk produced on farms in the United States,
1940, 1945 and 1952

Disposition	1940	1945	1952	Percent of 1940	
				1945	1952
	<u>Mil. lbs.</u>	<u>Mil. lbs.</u>	<u>Mil. lbs.</u>	<u>Percent</u>	<u>Percent</u>
Milk marketed by farmers					
Delivered to plants and dealers					
As whole milk.....	47,152	68,929	76,775	146.2	162.8
As farm skimmed cream.....	32,965	23,868	17,289	72.4	52.4
Retailed by farmers as milk & cream.....	6,109	5,576	3,639	91.3	59.6
Total of milk & cream marketings.....	87,667	99,442	97,703	113.4	111.4
Milk used on farms where produced					
Consumed as fluid milk & cream..	12,063	11,451	9,552	94.9	79.2
Used for farm churned butter....	6,688	5,645	4,514	84.4	67.5
Fed to calves.....	2,994	3,290	3,348	109.9	111.8
Total utilized on farms.....	21,745	20,386	17,414	93.7	80.1
Total production on farms.....	109,412	119,828	115,117	109.5	105.2

Source: Reports on Farm Production, Disposition, and Income from Milk, 1940-49 Revised Estimates, 1950-51, and 1951-52, Bureau of Agricultural Economics.

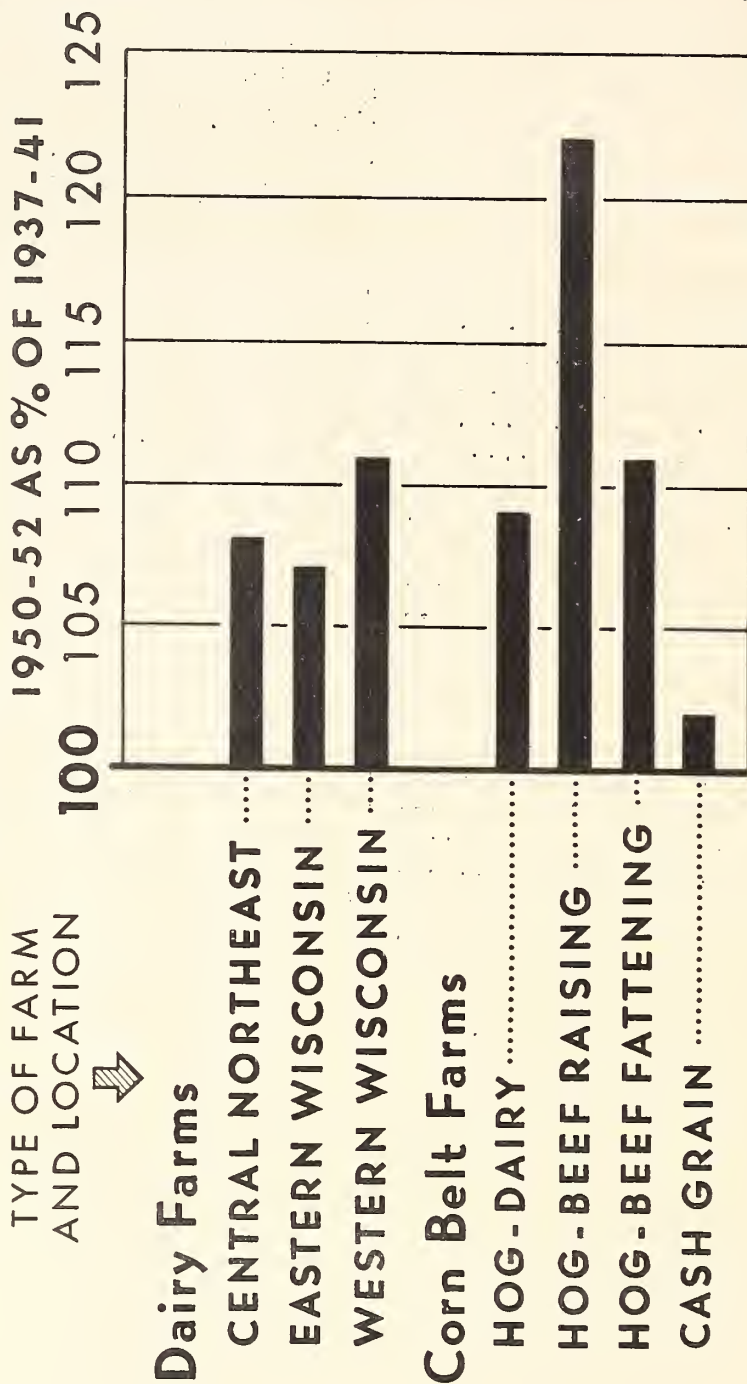
Table 3.- Changes in selected items for commercial family-operated farms from 1937-41 average to 1952 ^{1/}

Item	1952 as a percent of 1937-41 average			
	Central	Eastern	Western	Corn Belt
	Northeast	Wisconsin	Wisconsin	hog-dairy
	dairy	dairy	dairy	
	Percent	Percent	Percent	Percent
<u>Production and resource changes</u>				
Farm output.....	133	134	134	140
Total land in farm.....	111	107	107	103
Cropland harvested.....	114	103	105	111
Crop yield per acre.....	127	151	137	129
Number of milk cows.....	123	115	114	112
Number of all cattle.....	127	121	121	120
Total labor used.....	99	81	81	86
Power and machinery used (quantity).....	181	171	195	179
Production per hour of labor.....	133	165	165	161
Production per unit of all resources.....	107	98	101	114
<u>Income, expenditures, and price changes</u>				
Gross farm income.....	317	329	340	305
Net farm income.....	388	309	313	287
Purchasing power of net farm income.....	184	147	149	136
Cash receipts.....	337	345	383	307
Cash expenditures.....	279	346	396	304
Net cash income.....	666	344	365	312
Total investment, (current dollars).....	291	294	289	285
Total cost per unit of output.....	241	224	233	221
Operating expense per unit of output.....	215	253	274	229
Prices received for products sold.....	240	261	272	216
Prices paid for production items.....	228	212	227	198

^{1/} See "Farm Costs and Returns, 1952 (with comparisons)," 20 Types of Commercial Family-Operated Farms in 12 Major Farming Regions. Agric. Information Bulletin No. 116, Bureau of Agricultural Economics, August 1953, for additional details and definitions of these items.

PRODUCTION PER UNIT OF ALL RESOURCE INPUTS

Commercial Family-Operated Farms



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Figure 4.- Production per unit of resource inputs on dairy farms averaged 5 to 10 percent higher in 1950-52 than in 1937-41. Improvements in the physical efficiency of production in recent years have been greater than on cash grain farms in the Corn Belt although not as great as on other types of Corn Belt farms. Average prices for 1937-41 are applied to farm products and resources in both periods to measure change in production per unit of all resources. Total farm output on dairy farms has increased one-third, use of power and machinery has increased about three-fourths, but use of labor has been reduced slightly.

much more than those for feed and capital equipment. As dairying requires larger amounts of labor in relation to feed and other items than do other livestock enterprises, this also has been a factor in bringing about higher unit costs for dairying as compared with those for other farm products.

Changes in volume of output also may influence production costs. The studies of commercial family-operated farms show that since 1937-41 farm output has been increased about 30 percent on dairy farms (Table 3). This is much more than the national expansion in milk production since 1937-41. Gains in production efficiency for the dairy industry as a whole undoubtedly have taken place with the concentration of milk production on fewer farms and the discontinuation of costly production in many small enterprises. This, of course, is not reflected by the changes in costs per unit of output for the commercial dairy farms mentioned above.

Internal Changes on Dairy Farms

Considerable change in the organization and operation of dairy farms has taken place in response to changing technology, prices or cost rates for resources purchased, and prices of products. Expansion in production per farm has been mentioned. A part of this was made possible by increases in the total size and the acreage of cropland harvested per farm (Table 3). But the most noteworthy change is increased use of power and machinery. Studies of commercial family-operated dairy farms show that these farms now use about three-fourths more power and machinery than they did in 1937-41. Dairy farms do not use as much power and machinery in relation to labor and land as do hog, beef-cattle or cash-grain farms in the Corn Belt, but the trend toward increased use of power and machinery has been much greater for dairy than for Corn Belt farms. In fact, it has been about as great as on wheat farms.

The total quantity of labor used on dairy farms has been reduced with increased mechanization, particularly in the midwest. This together with higher production per farm means that production per hour of labor used has been increased greatly, - about one-third on central northeast dairy farms and 60 percent on Wisconsin dairy farms. However, increased use of power, machinery, and other items has been so great that production per unit of all resources used, as mentioned earlier, has not been reduced much.

An important consequence of larger purchases of power, machinery, equipment, and other materials and of higher prices for these items is that cash expenses have been increased greatly. They were three times as high on dairy farms in the Central Northeast and three and one-half to four times as high on Wisconsin dairy farms in 1952 as in 1937-41. Prices paid for production items purchased were about two and one-fourth times as high in 1952 as in 1937-41 so it is evident that much of the increase in cash expenses has been due to larger quantities purchased (Table 3).

A larger proportion of the resources used on dairy farms now are purchased than formerly was the case. This means that a given change in prices received by farmers for products sold in relation to prices paid for items purchased has a greater influence on net cash incomes than it formerly did. For example, the recent reduction in prices received in relation to prices paid has caused a greater reduction in net cash income than a similar change would have caused a few years ago when cash operating expenses were relatively less important. Of course, the fact that a larger proportion of the resources are now purchased means that the possibility of reducing costs by purchasing less fertilizer, feed, and other items may be greater than formerly. However, in most instances smaller purchases of these items would reduce cash receipts more than cash expenses and thus reduce net income. Cash expenses for capital improvements have been relatively large in recent years and it should be possible on many farms to reduce expenditures for this purpose without reducing output.

Net Effects of Changes

Although they have dropped appreciably in the last year, net cash incomes of dairy farmers still are much higher now than they were in 1937-41 (Table 3). Prices paid for items used in dairy production have averaged as high in relation to prices received for milk and butterfat in 1953 as they did in 1937-41. The gain in net farm income is due to a higher level of prices generally, a larger output per farm, and improved efficiency in production. Purchasing power of net farm incomes on dairy farms still average higher than in 1937-41, but they are lower than in the last few years for Northeast dairy farms (Table 1).

A larger output per farm contributed to higher gross incomes for individual farmers. Substitution of power and machinery was desirable as it helped farmers produce more with less labor and with a slightly smaller total input of all resources per unit of production. If adjustments in production methods and combinations of resources used had not occurred, the physical quantities of resources required per unit of production now would be larger. Total cost per unit of production also would be higher now if it had not been for substitution of power and machinery for labor since prices or cost rates have increased much more for hired labor than for power and machinery.

In retrospect, it is evident that much progress has been made in achieving desirable adjustments in the internal organization and operation of dairy farms as well as in adjusting output by areas and regions to changing market outlets. But it should be observed that an expanding total demand for farm products until recently created favorable conditions for achieving such adjustments. Expanding demand for products that utilize resources similar to those used in dairying made it possible to shift out of dairying in some areas and at the same time increase net farm incomes. In other areas where demand for milk increased it has been possible for dairy farmers to increase net incomes by taking advantage of the possibilities for increasing output and reducing production costs. Under present and pro-

spective demand conditions, it is even more essential that individual farmers take advantage of the opportunities for maintaining and increasing their incomes by reducing production costs and by adjusting production to changing market outlets in the different areas.

Adjusting Production to Market Outlets

In considering adjustments in production that individual farmers may find profitable in view of the outlook for demand and market outlets and for production costs, those that can be carried out in the next year need to be considered separately from those that require a longer period. Adjustments that can be made on dairy farms in one year are quite limited. However, current developments in the outlook may suggest major changes in dairying which will be desirable over a longer period. And it is essential to look forward to longer-time adjustments beginning now or soon if they eventually are to be accomplished.

Adjustments in the Next Year

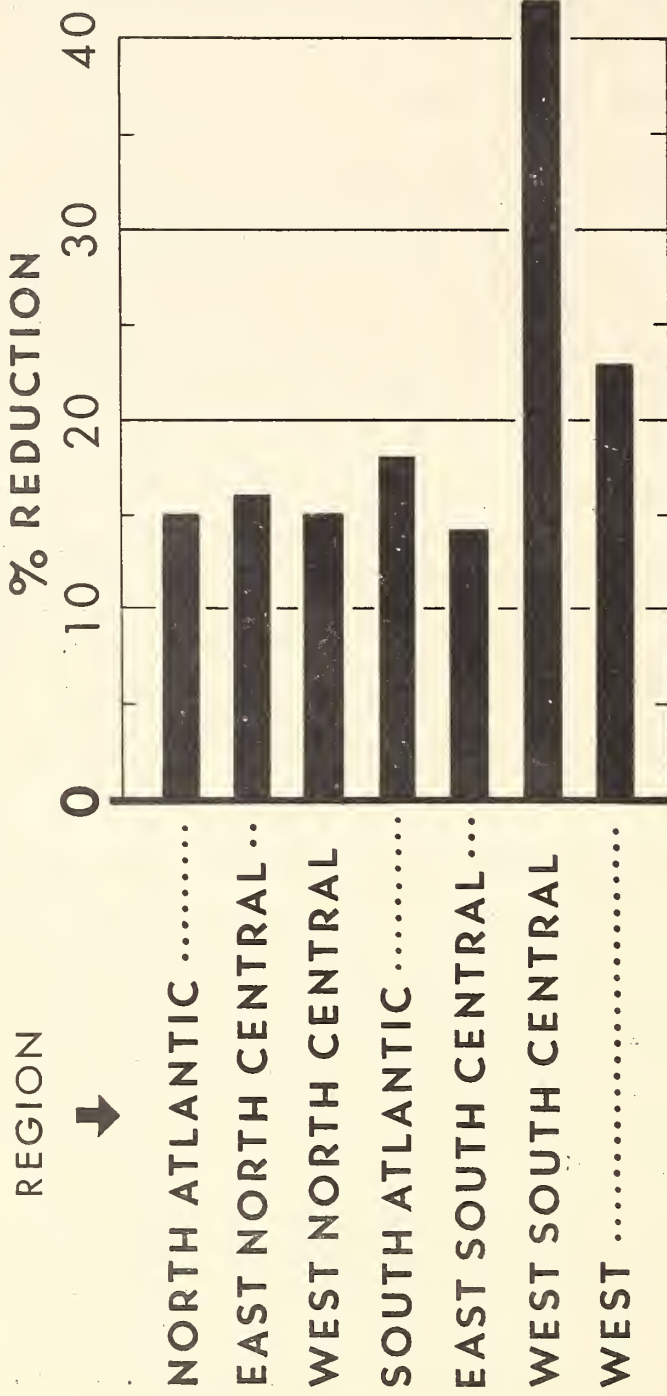
If consumer income and other factors affecting demand are about the same in the next year as in the last, milk production apparently would not need to be reduced much from recent levels to move into consumption at prices to farmers about the same as in the last year. As pointed out earlier, milk production in 1953 may total about 118 billion pounds or about 3 billion more than can be moved into consumption at prevailing prices. And, in the last half of 1953 production may be at an average annual rate of around 116 billion pounds, or only about one billion pounds in excess of market outlets at prevailing prices.

milk

But/production may increase in 1954 from the annual rate this fall and the total for the year may be about the same as in 1953. The total number of milk cows on hand now is larger than it was a year ago. Total feed supplies are large in relation to livestock numbers, although they are short in some areas. Milk and butterfat-feed price ratios are about as favorable as they were a year ago. Prospects are that prices of milk and butterfat in 1954 will be no higher than during the past year and possibly lower, with the level depending largely on the level at which prices are supported in the marketing year beginning next April 1. Most production costs on the other hand will continue high. Feed prices may be lower, but prices paid for other items may not change much. The situation perhaps can be summarized by saying that 1954 net income prospects from dairy farming in most areas may not differ much from 1953 - possibly slightly less favorable. But total milk production would not need to be reduced greatly to bring it into balance with prospective market outlets at prices about the same as in the last year.

In view of the fact that income prospects from dairying are not likely to improve in the next year, continuation of the long-term reduction in number of dairy enterprises would be desirable (Fig. 5).

REDUCTION FROM 1944 TO 1949 IN NUMBER OF FARMS REPORTING ANY DAIRY PRODUCTS SOLD



BASED ON U. S. CENSUS DATA SHOWING NUMBER OF FARMS REPORTING ANY DAIRY
PRODUCTS SOLD, INCLUDING MILK, CREAM, FARM BUTTER, ETC.

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Figure 5.- The total number of farms in the United States reporting any dairy products sold declined 19 percent from 1944 to 1949, considerably more than the 8 percent reduction in the total number of farms, according to the U. S. Census. Reduction in number of farms selling dairy products has been general throughout the United States, but it has been greatest in the West Central regions. The elimination of many small dairy enterprises and an increase in the average size of enterprise has helped to bring about improved efficiency in dairying.

For those whose best income opportunities continue to be on farms with dairy enterprises, adjustments to maintain or improve incomes include some shifting to other enterprises for which demand prospects are better. But adjustments to reduce costs of milk production are likely to be most important even though we must recognize that usually it will not pay to make large changes in production plans unless they appear to be the most profitable over a period of several years.

In areas where most farms are highly specialized in dairying the opportunities for shifting to other enterprises are especially limited. In view of price prospects for the year ahead, it may be possible to improve incomes on some dairy farms in the northeast by putting more emphasis on poultry. In the dairy areas of the Lake States some reduction in milk and increased production of hogs and poultry should be profitable in the next year. In other areas such as those in the Corn Belt and the Great Plains where dairying is a minor and supplementary enterprise, less milk production and greater emphasis on hogs, beef cattle, and certain crops appear desirable.

The adjustments that dairy farmers can make in 1954 to meet prospective changes in prices paid for feed, labor, and other items also are quite limited. If supplies of concentrated feeds continue to be abundant and relatively low in price, as seems likely, it will continue to be profitable to feed concentrates at relatively high rates. Wage rates for hired labor probably will continue relatively high so practices which save labor also will be profitable. There are many longer-time adjustments which dairy farmers can make to reduce costs, but as pointed out before they generally will be profitable almost regardless of price prospects. These possibilities are discussed later.

Adjustments in the Next Few Years

Although milk production in the last year has exceeded the quantity which could be moved into consumption at prevailing prices, population growth may gradually expand market outlets. This almost certainly would be true for fluid milk and other dairy products which utilize the nonfat solids in milk. They, together, now account for about three-fourths of all the milk produced. However, prospects for butter are less certain. Continued decline in butter consumption, of course, would reduce milk requirements for this purpose, and the reduction might be so great that the total market outlets for milk for all uses may not increase much.

If butter consumption continues to decline, it might be possible to supply requirements for milk without expanding total production. For example, each reduction of one pound in butter consumption per person means that 3.2 billion pounds of milk, the equivalent of nearly 3 percent of total milk production, are made available for other uses. In this case market outlets would continue to decline in midwestern areas where most of the milk is used to make butter, but they gradually would increase in other areas. However, total requirements might not increase much above the 115 billion pounds mentioned earlier.

On the other hand, per capita consumption of butter as well as that of other dairy products, may be maintained at recent rates. In this case, market outlets would expand above 115 billion pounds as total population increases. But it should be remembered that milk production has been in excess of market outlets throughout the country in the last year and the surpluses have been converted into manufactured products. Therefore, market outlets for fluid consumption can be expected to increase first as population increases. Market outlets for milk used to make manufactured products would expand later.

With regard to costs, it appears that they will not change greatly. Some decline in prices for purchased items such as feed, machinery and equipment may take place. However, as long as employment and wage opportunities off of farms continue good, farm wage rates probably will remain high. They may even increase in relation to prices paid for feed and other purchased items. This suggests that dairy farmers will find it profitable to economize on use of hired labor and continue the trend toward substitution of capital for labor.

Progress in lowering physical or real costs in milk production may be slow judging from past experience. Nevertheless, the possibilities of reducing costs through the application of improved methods are considerable, as will be discussed later in more detail. But most improvements which reduce costs per unit of output also have output-increasing effects. They are likely to be highly profitable for farmers in areas where demand for milk is increasing and therefore the additional output does not cause prices received for milk to decline. But there may be less financial incentive to put them into effect in areas where market outlets for milk are declining; even though the farmer who adopts such improvements will generally benefit and improve his income by a small amount.

If prospects for market outlets and production costs both are considered, it appears that most farmers in the different regions will find it profitable to make changes in production similar to those regional adjustments that have taken place in recent years. For example, in the eastern one-third of the United States and in other areas where market outlets for milk are expanding with population growth, gradual expansion in production for most farmers should be profitable. In the specialized dairy areas, there are few alternatives to dairying and relatively greater expansion in demand for meat animals, eggs, and certain crop products probably would not make it sufficiently profitable to shift from dairying to these other products on most farms.

In most of the central third of the United States where much of the milk is used in manufacturing, net returns from dairying may continue to decline in relation to those from other enterprises. Many farmers who sell butterfat probably will find it profitable to shift out of dairying and increase emphasis on other farm enterprises, or on off-farm employment. This, of course, involves shifts to less intensive labor enterprises, and it may be necessary to expand sizes of farms and have less labor employed on farms in order to provide profitable employment for those that remain.

The changes in distribution of production among farms with fewer and larger-sized enterprises also should be continued as they may be necessary to reduce unit costs of production, especially in areas where market outlets do not expand. As already pointed out, most of the improved production practices which lower unit costs also have output-increasing effects. In other words, output may need to be increased on many farms that continue to have dairy enterprises in order to reduce costs per unit of output and to have sufficient volume of sales for satisfactory income. But if cost reduction practices are to help maintain or increase net incomes from dairying, it is essential that total output not be increased so much that it lowers prices materially. In any event, net incomes on farms which depend mainly upon small dairy enterprises in unfavorable situations will continue to be relatively small. Many of these farmers probably will need to shift from dairying to other enterprises or in some instances out of farming altogether, and into off-farm employment, in order to maximize their incomes over a period of several years.

Adjustments to Reduce Production Costs

Improvements in production methods which reduce the physical quantities of resources used per unit of output usually will be profitable for individual farmers. Such improvements reduce unit costs of production and increase incomes over what they otherwise would be almost regardless of changes in economic conditions. Changes in price relationships for purchased items may, of course, have some influence on combinations of resources and production methods which are most economical, but this will be quite limited.

In view of the general decline in prices received by farmers for milk and butterfat and the prospect of a continuing price-cost squeeze, it is especially desirable to find ways of reducing production costs and thereby help to maintain net incomes from dairying. As demand may not increase much in many areas even over a period of several years, there is special need to find ways of reducing costs which do not involve large increases in production. Transfer of some resources such as labor and certain materials out of dairying would reduce costs on dairy farms. Such transfers would be difficult to achieve within a short period, but as has been pointed out, substantial progress has been made in the recent past.

The first step in deciding what adjustments in resource use and production methods are necessary to bring about lower production costs for the industry as a whole is to find out what changes individual farmers can make to reduce costs. The findings of recent studies of cost reduction possibilities in dairying and their significance with regard to adjusting production to market outlets are considered briefly in the discussion which follows. Most of the changes to reduce costs would require several years to carry out, but a start could be made in 1954.

More Efficient Feed Production

Studies of cost reduction in dairying show that feed accounts for about one-half of total costs. Therefore more economical production as well as utilization of feed can contribute much to lower production costs. A recent study made in Michigan reports that the adoption of improved crop and pasture production methods on a typical 160 acre farm can result in a 41 percent increase in feed production (TDN) at an increase in total cost of 18 percent and a reduction of 16 percent per unit of feed produced. 2/ The additional cost would be due mainly to increased use of fertilizer and lime and the use of more expensive harvesting machinery which would eliminate the need for much additional labor. The additional feed production also would be of higher quality. This means that high yields of milk per cow would be possible without higher rates of grain feeding. Most of the additional feed would be in the form of grass silage, and for this purpose some additional harvesting machinery would be needed.

Similar results could be achieved in the Northeast. According to a recent study, changes in the cropping program including better quality roughage for feed crops and pasture and increased use of fertilizer would increase feed production nearly 20 percent on a typical 120 acre farm. 3/ Labor requirements for crop production would not be changed, but there would be some additional expenses for harvesting equipment and for buildings to store the additional feed. Even larger increases in feed production would be possible on other farms. Costs per unit of feed produced apparently could be reduced 10-20 percent. Higher quality hay and pasture and an improved distribution of pasture throughout the season also would result.

Some farmers may find it profitable to utilize the additional feed to keep more cows and expand milk production. However, others may prefer to maintain milk production at current levels and substitute the additional feed for purchased grain concentrates, thereby reducing cash expenses. Preliminary findings show that such adjustments would be profitable on many Michigan farms. 4/

More Efficient Feed Utilization

The efficiency with which feed is converted into milk can be improved by feeding better balanced rations and by keeping more productive cows. The

2/ C. R. Hoglund and A. T. Wright, "Reducing Dairy Costs on Michigan Farms," Special Bulletin 376, Michigan State College, May 1952 (BAE cooperating).

3/ I. F. Fellows, G. E. Frick, and S. B. Weeks, "Production Efficiency on New England Dairy Farms, A Preliminary Appraisal of Cost Reduction Opportunities Bulletin 283, Storrs Agr. Expt. Station, Univ. of Conn., (BAE cooperating), January 1952.

4/ C. R. Hoglund, unpublished report.

Michigan study referred to above reports that feed cost per hundred pounds of milk produced could be reduced 14-16 percent by feeding higher quality roughages which reduce the quantity of grain required to provide balanced rations. Keeping "good" cows in place of "average" would reduce feed costs nearly 20 percent and all costs including labor, depreciation, and other items could be reduced nearly 30 percent per hundred pounds of milk produced. Improving the quality of cows is a long-term job, but artificial breeding makes this more feasible now than formerly.

The possibilities of improving efficiency in feed utilization may be less in the Northeast where rates of milk production average higher. However, the gains from substituting high quality roughages for grains probably are substantial. They would make possible additional milk production without increasing expenditures for concentrate feeds, which are relatively high for most farms in the Northeast.

More Efficient Use of Labor, Buildings, and Equipment

The studies of cost reduction in dairying show that it would be possible to expand milk production greatly without the use of additional labor to take care of the dairy cattle. For example, in the Northeast milk produced with the equivalent of one man's labor could be increased 20-50 percent on typical farms. The Michigan study indicates that milk production might be increased as much as 75 percent without much increase in the labor force. To do this it would be necessary to improve work methods and to make additional investments for equipment and for building improvements. But as labor used to care for dairy cattle accounts for about 30 percent of the total cost of producing milk, large expenditures for improvements in equipment and buildings which save labor and make possible a larger production would be profitable.

Reducing Costs Without Increasing Output

Some dairy farmers may want to reduce labor requirements by using additional labor-saving equipment and better building arrangements. Expenditures to cover maintenance and depreciation on capital investments would be increased, but costs of hired labor would be reduced, or labor requirements from the farm operator and family would be less. This kind of an adjustment would not need to increase output. In fact, it might be possible to maintain net income to the farm operator and family and at the same time reduce total output and labor requirements. Such adjustments might appeal especially to farmers approaching retirement.

It must be recognized that additional investments for equipment and machinery and improvements in buildings would increase risks in dairy farming. Although it is possible to show that they would be profitable on most farms in view of prospective prices and cost rates, many farmers may not want to assume the additional risks.

Relation to Production Adjustments

When all of the possibilities for reducing costs of dairy production are considered, it is evident that substantial reductions in total cost per

unit of production are possible. The final test which individual farmers apply in deciding upon changes in production methods and resources is ordinarily the effect on net income. In other words, minimum cost per unit of output may not be the final objective. But it is significant that the Northeast study shows that total cost per hundred pounds of milk produced could be reduced substantially. Estimates from the Michigan study differ depending upon how many of the possible improvements are adopted, but they generally are higher than in the Northeast. Percentage increases in net income from dairying also would be greater due to the fact that the improvements result in increased volume as well as lower costs per unit of output in Michigan. (Fig. 6)

These studies suggest that profitable adjustments for many farmers include increased intensity in use of land, larger expenditures for fertilizer and lime and for equipment and buildings, but no additional employment of labor. Productivity of labor would be increased greatly as size of herd, milk per cow, and total output is expanded. These adjustments would be similar to those that have taken place recently on many leading dairy farms. Adjustments which reduce costs per unit of output for individual farmers apparently would, in most cases, also expand milk production if widely adopted.

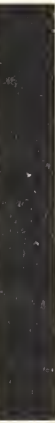
As the adjustments suggested by these cost reduction studies are highly profitable for individual farmers who can take advantage of them almost regardless of the outlook, they obviously should be pushed forward as rapidly as possible. But reduction in the total number of dairy enterprises may sometimes be desirable particularly in areas where demand for milk may not increase. In some instances part-time farming may have better long-term income earning prospects than dairying or alternative farm enterprises on a full-time basis. In most dairy States there are some farms that lack the quantity or quality of land necessary for efficient farming under modern conditions.

HOW BETTER COWS AND BETTER PRACTICES BOOST DAIRY INCOME

Labor Income of Operator:

With Usual Practices*

AVERAGE COWS



\$1,553

GOOD COWS



\$2,959

With Improved Practices*

AVERAGE COWS



\$2,734

GOOD COWS



\$5,733

BASED ON DATA FROM "REDUCING DAIRY COSTS ON MICHIGAN FARMS," MICHIGAN AGR. EXP. STA. SPECIAL BULL. 376 (BAE COOPERATING)

INCOME DATA BASED ON 1945-49 PRICE LEVEL

* CROP AND LIVESTOCK PRODUCTION PRACTICES

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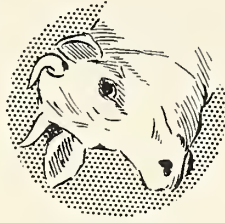


Figure 6.- An operator of a one-man dairy farm in southeastern Michigan could expect to about double his labor income by either changing from usual to improved crop and livestock production practices or substituting good cows for average cows. If he made both types of adjustment in his dairy farming he could expect more than a three-fold increase in his labor income at the 1945-49 price level.

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PROSPECTIVE ADJUSTMENTS IN WHEAT FARMING

Prepared by Warren R. Bailey and Charles W. Nauheim,
Bureau of Agricultural Economics for distribution at
31st Annual Agricultural Outlook Conference, Washing-
ton, D. C. October 28, 1953

The Background

Twice in the last 35 years farmers have expanded wheat production in response to wartime or world emergency demands. Each major expansion has been followed by severe problems of readjustment.

During World War I farmers expanded wheat acreage from 56 million in 1914 to 74 million in 1919 (harvested basis). Much of the expansion was made possible by further breaking up of prairie sod in the Plains. Following that war, wheat acreage dropped moderately but the seeded acreage remained above 60-million throughout the 1920's (table 1). Most of the cut-back occurred east of the Plains where feed grains partially replaced wheat. Improvements in tractor power and machinery for wheat production stimulated further sod-breaking in the Plains States and the acreage remained above pre-war despite a drastic decline in wheat prices from wartime levels. Late in the 1920's large wheat supplies were pressing against available markets.

In the 1930's wheat farmers in the Great Plains experienced severe drought together with widespread economic depression. Although prices reached new lows, wheat plantings were not reduced except as forced by the drought, because farmers had no other production alternatives. East of the Plains, farmers actually increased their plantings because wheat was a better dry-weather crop than corn. World depression and national policies abroad which restricted trade, practically shut off exports (table 2). But even with government programs restricting wheat acreage, large stocks of "loan wheat" accumulated from 1938 to 1942.

Early in War II, farmers were urged to plant feed and oil-seed crops and to hold down wheat acreage. Under a feed-price subsidy, the surplus wheat was fed to livestock. In the 4 years, 1942-45, an average of 300 million bushels were fed annually--200 million more than usual. The bins were cleaned. Beginning in 1945, large quantities of wheat were needed for export to both allied and occupied countries in Europe. Prices rose and farmers increased plantings from 53 million acres in 1942 to an all-time peak of 84 million in 1949 (table 1). Improved yields together with large plantings have resulted in crops of more than a billion bushels each year since 1944, except in 1951 when yields were exceptionally low.

Table 1.- Wheat acreage, yield, and production United States, 1919-53

Year of harvest	All wheat		
	Seeded acreage	Yield per seeded acre	Production
	1,000 acres	Bushels	1,000 bushels
1919	77,440	12.3	952,097
1920	67,977	12.4	843,277
1921	67,681	12.1	818,964
1922	67,163	12.6	846,649
1923	64,590	11.8	759,482
1924	55,706	15.1	841,617
1925	61,738	10.8	668,700
1926	60,712	13.7	832,213
1927	65,661	13.3	875,059
1928	71,152	12.9	914,373
1929	67,177	12.3	824,183
1930	67,559	13.1	886,522
1931	66,463	14.2	941,540
1932	66,281	11.4	756,307
1933	69,009	8.0	552,215
1934	64,064	8.2	526,052
1935	69,611	9.0	628,227
1936	73,970	8.5	629,880
1937	80,814	10.8	873,914
1938	78,981	11.6	919,913
1939	62,802	11.8	741,210
1940	61,820	13.2	814,646
1941	62,707	15.0	941,970
1942	53,000	18.3	969,381
1943	55,984	15.1	843,813
1944	66,190	16.0	1,060,111
1945	69,192	16.0	1,107,623
1946	71,578	16.1	1,152,118
1947	78,314	17.4	1,358,911
1948	78,345	16.5	1,294,911
1949	83,905	13.1	1,098,415
1950	71,287	14.3	1,019,389
1951	78,048	12.6	980,810
1952 <u>1/</u>	77,447	16.7	1,291,447
1953 <u>2/</u>	78,553	15.3	1,202,829

1/ Preliminary.

2/ August 1 estimate.

Table 2.- Wheat utilization, United States, 1935-52 ^{1/}
(Million Bushels)

Year begin- ning July	Utilization								
	Continental United States					Military:			
	Pro- cessed for food:	Seed	Indus- trial	Feed	Total	pro- curement: 2/	Exports: 3/	Ship ments: 4/	Total 5/
1935	490	87	---	83	661	---	4	3	668
1936	493	96	---	100	689	---	10	3	702
1937	489	93	---	115	697	---	104	3	805
1938	496	74	---	142	712	---	108	3	823
1939	489	73	---	101	663	---	45	3	712
1940	489	74	---	112	676	---	34	3	713
1941	473	62	2	114	652	16	28	4	700
1942	495	65	54	306	921	25	31	5	982
1943	477	77	108	511	1,174	63	43	3	1,283
1944	473	80	83	300	937	150	49	4	1,140
1945	474	82	21	297	874	91	320	4	1,289
1946	479	87	---	178	744	92	328	4	1,168
1947	484	91	1	179	754	149	340	4	1,247
1948	471	95	---	106	672	182	328	4	1,185
1949	484	81	---	111	677	124	179	4	983
1950	491	87	---	103	681	40	335	4	1,060
1951	484	87	1	92	665	14	470	4	1,153
1952 ^{6/}	(478)	(88)	---	114	(680)	(10)	(315)	(4)	(1,009)

^{1/} Includes flour and products in terms of wheat.

^{2/} Includes procurement for both civilian relief feeding and for military food use; Military takings for civilian feeding in occupied areas measured at time of procurement, not at time of shipment overseas.

^{3/} Exports as here used, in addition to commercial exports, include U.S.D.A. flour procurement rather than deliveries for export. Beginning with 1941-42, deliveries for export (actual exports, including those for civilian feeding in occupied areas) of wheat, flour and other products, in million bushels were as follows: 27.9; 27.8; 42.6; 144.4; 390.6; 397.4; 485.9; 504.0; 299.1; 366.1; and for 1951-52, 475.3.

^{4/} Partly estimated to Alaska, Hawaii, Puerto Rico, Guam, Samoa, Virgin Islands, and Wake Island.

^{5/} Figures may not add because of rounding figures to millions.

^{6/} Preliminary.

By 1949 exports had tapered off and large wheat stocks again threatened. Acreage restrictions were invoked for 1950 but the Korean incident abruptly changed the picture. Demand and price increased, restrictions were quickly removed and plantings again increased to about 78 million acres.

Greatly reduced export demand in 1952 has resulted in large wheat stocks--about 560 million bushels. An acreage allotment of 62 million has been announced for 1954 and marketing quotas have been voted. This represents a 21 percent reduction from the 1953 acreage. Consequently it will mean a substantial adjustment for many individual farmers, particularly in the specialized wheat areas.

The "wheat problem" is perhaps even greater now than in the past despite a large increase in population. Per capita consumption of wheat has declined, and we have a much larger capacity for producing wheat than we had at the close of War I or during the 1930's.

PROSPECTIVE DEMAND FOR WHEAT

Food

The domestic market for wheat as human food is the major market for U. S. wheat. The amount used annually for food has not changed significantly since 1930 even though population has increased 34 million. The reason is that per capita consumption has declined steadily from more than 4.1 bushels in 1930 to about 3.1 bushels in 1952. This decline is expected to continue, though at a lower rate. It may reach 2.9 bushels per capita by 1960.

Estimates by Bureau of Census indicate that the U. S. Population may reach about 176 million by 1960--compared to 160 million in 1953. Using these estimates the domestic demand for wheat as human food might be about 510 million bushels by 1960.

Exports

Prior to 1930 exports generally disposed of our surplus wheat. Annual exports during the late twenties (1924-29) averaged around 185 million bushels. Low world prices for wheat in the 1930's and national policies which restricted world trade in wheat both in importing and exporting countries, reduced exports to low levels. Most of our exports since 1945 (annual average 415 million bushels) have involved special financial arrangements. The prospects for U. S. wheat exports in the future are uncertain. Many countries have now recovered from wartime disruptions, others lack dollars to buy U. S. wheat and competition from other exporting countries is increasing.

Assuming no major change in the present international situation our future exports will depend, in part, on wheat production policies of other countries, the International Wheat Agreement, and the pricing and trade policies of the United States. Without attempting to forecast wheat exports we might use a level of about 250 million bushels by 1960 as a basis for appraisal of prospective wheat outlets.

Feed and Seed

About 10 percent of the wheat crop has been fed to livestock in recent years (table 2). Much of it is fed on farms where grown, particularly outside the major wheat and corn growing areas. Some is also used in commercial mixed feeds. Wheat is a good livestock feed, considerably better than barley and equal or better than corn, pound for pound, and it usually provides more protein. From a physical standpoint all surplus wheat could be fed. Economically this has not been feasible because usually the price has been too high relative to other grains. Under the wartime program for expanded livestock production the United States fed an all-time high of 507 million bushels of wheat in 1943, made possible by wheat-feed subsidies, as previously mentioned.

The level of wheat feeding in the future will depend on price relationships between wheat and other feed grains, the level of livestock prices and the stocks of wheat available for feeding. Excluding the period of feed subsidies, the 4 years of highest consumption of feed wheat averaged 157 million bushels. This may be about the maximum that would be fed by 1960--unless wheat is available at prices competitive with other grains. A more realistic figure may be around 120 million bushels.

In the eastern States and other deficit feedgrain producing areas, prices of feed grains usually are high relative to wheat. In some areas barley yields more pounds per acre, but wheat produces more feed nutrients and the feeding of wheat can be justified. The future possibilities are good for expanded livestock production based on feeding wheat only if it can be produced at feed-grain prices and if price relationships are favorable to feeding.

The quantity of wheat used for seed varies with the acreage planted and has ranged from a low of 62 million bushels in 1941 to a high of 96 million in 1936 (table 2). The acreage required to produce our prospective requirements by 1960 would take about 70 million bushels of seed wheat.

Total Estimated Demand

If we add together the estimated domestic food uses, assumed exports and wheat for feed and seed we get about 950 million bushels as one potential market level by 1960.

PROSPECTIVE SUPPLY

Our capacity to produce wheat has increased through the years. Favorable weather, higher yielding varieties and improved production practices have contributed to the record crops of recent years. But much of the increase has resulted from seeding more acres. The acreage seeded to wheat in the U. S. increased 58 percent, from 53 million in 1942 to 84 million acres in 1949, under the influence of high demand and favorable prices. During the period 1947-53 plantings averaged 78 million acres (table 1). This is about the same

acreage estimated as "attainable" by State Productive Capacity Committees. ^{1/} Thus it appears that if needed a wheat acreage of 78 million acres could be sustained, assuming favorable prices, under a balanced pattern of agricultural production.

Wheat yields also have increased over the years--averaging 15.4 bushels per acre in 1946-50 compared to 12.9 bushels in the period 1920-29. State Productive Capacity Committees estimated an attainable wheat yield of 17.8 bushels per acre. With average weather and less intensive efforts to increase yields we probably could expect a yield per acre of about 16.6 bushels by 1960. With 78 million acres and a yield of 16.6 bushels per acre, prospective supplies by 1960 could easily average 1,295 million bushels annually. This production would be 37 percent above our "most likely" needs--950 million bushels.

If future domestic and foreign demand should approximate the 950 million bushel estimated requirement, a planted acreage of about 57 million acres would be sufficient with an average yield of 16.6 bushels per acre. Even with no improvement in the average yield of 15.4 bushels per acre, only 62 million acres would be required to supply our estimated needs.

On the other hand, farmers in the sub-humid wheat areas cannot always count on average weather. In 1934 a seeded acreage of 64 million produced a wheat crop of only 526 million bushels. During the 4-year period 1933-36, wheat yields averaged about 12 bushels per acre. If the yield should drop to 12 bushels for several years, about 79 million acres would be needed to produce 950 million bushels.

DIMENSIONS OF THE ADJUSTMENT PROBLEM

Domestic requirements for wheat are not expected to vary greatly from the foregoing estimates unless conditions develop which make it feasible to feed more wheat. Therefore, the future outlook for the U. S. wheat farmer is to a large degree dependent upon the level of our wheat exports.

With prospective requirements at about 950 million bushels and potential production ranging from 1,200 to 1,300 million bushels by 1960, assuming average weather, substantial adjustments in acreage would appear necessary, if wheat farmers are to obtain favorable prices. The situation projected to the year 1960 would shape up about as follows:

^{1/} summarized in "Agriculture's Capacity to Produce", Agricultural Information Bulletin No. 88, Bureau of Agricultural Economics, Washington, D. C. June 1952.

Requirements

Domestic

Food	510 million bushels
Feed	120 million bushels
Seed	<u>70</u> million bushels
Total	700 million bushels

Exports 250 million bushels

Total 950 million bushels

Production potential (on 78 million acres)

Yield at 16.6 bu.	- 1,295 million bushels
Yield at 15.4 bu.	- 1,201 million bushels
Yield at 12.0 bu.	- 936 million bushels

Acreage needed (to produce 950 million bushels)

Yield at 16.6 bu.	- 57.2 million acres
Yield at 15.4 bu.	- 61.7 million acres
Yield at 12.0 bu.	- 79.2 million acres

Acreage seeded - 1953 78.5 million acres

Acreage allotment - 1954- 62.0 million acres

This means that potential production would exceed estimated requirements by 20 to 30 percent, barring major changes in the international situation or a prolonged period of unfavorable weather.

If the estimates on wheat utilization prove reasonably correct and if yields should average 16.6 bushels an acre, 57.2 million acres would supply requirements. If further improvement in the average yield, 15.4 bushels, is not realized 61.7 million acres of wheat would be required. This means a reduction of from 16 to 21 million acres from the average of 78 million acres seeded during the past 7 years.

PROBLEMS OF ADJUSTMENT IN GENERAL

What use should be made of diverted wheat land? The national problem is to find other profitable employment for the farm resources not needed to produce wheat. In the major wheat producing areas a large part of these resources can produce feed grains, hay and pasture. However, if substantial acreages are used for feed grains it could, in time, lead to market depressing supplies. Under these circumstances the interest of various commodity groups might conflict.

In the past it has been suggested that unneeded wheat land might be converted to hay and pasture for cattle and sheep production. This may have real merit in the long run if acreage adjustment continues to be a problem.

However, the problem of the individual farmer is to find the most profitable employment for his own resources that may be diverted from wheat production. Finding new employment for labor, power and equipment will be somewhat easier than for land. Farm operating equipment within narrow limits can be diverted to other uses on the farm or transported to other areas. In extreme cases a wheat farmer may pull out, take his equipment with him and set up farming in another area. As he restricts his acreage the wheat farmer can reduce his direct operating costs accordingly. He can hire fewer laborers and buy less tractor fuel, seed and supplies. Also the investment and therefore supply of tractors and equipment in wheat production can be gradually reduced through attrition. Land on the other hand, must be used in place; new uses for it represent a larger problem.

Land must bear certain fixed charges--taxes, interest on investment, depreciation and repair of buildings, fences and ditches--whether the land is farmed or not. The urge to find profitable uses for diverted land will be especially strong with the land owner. The share tenant farmer will feel less compulsion in this regard. However tenant operators on the smaller farms also will be concerned with full use of the land they control. The impact of new employment or possible unemployment of land will fall more heavily on the landowner whether he happens to be an operating farmer or a landlord. Thus, a part of the consequences of diverting land from wheat will rest on the nonfarm sector of our economy, providing rents are not bid up by demand for wheat allotment land, thus absorbing some of this impact. In some cases this has happened with other crops in the past.

The large share-tenant operator likely will find adjustment to curtailed wheat acreage relatively easy. A larger share of his expanses are direct costs which will be reduced proportionately to the acreage he produces. He will plow, plant, and harvest fewer acres. He will buy less seed and supplies and in many cases he can hire less labor. He may try to increase his yields by using more fertilizer and other improved practices. Thus he may be able to earn a satisfactory (though somewhat lower) income with restricted wheat acreage but a more favorable price.

A more serious problem is seen for the part-owner and the full-owner operator. They will be more concerned with profitable alternative uses for their owned land to help meet taxes and other fixed charges. Any alternative use of diverted wheat land that promises a return above direct operating costs, would help carry the fixed charges.

The main wheat producing areas are primarily adapted to cereal crops such as barley and oats, to the sorghums and to grass. Grass was the native vegetation throughout the Plains area now predominantly in wheat. The cereal feed grains have similar seasonal climatic requirements and require the same equipment as wheat.

In 1954, therefore, farmers are likely to shift a large part of their diverted acreage to feed grains. But the pressure of large feed grain supplies may reduce the attractiveness of this alternative in the next few years. Hay and pasture marketed through livestock may be a more attractive alternative in the long run.

Time and again it has been suggested that unneeded wheat land be converted to pasture for cattle and sheep production. This suggestion may have real merit in the transition areas between the main wheat belts and range livestock areas. Those areas contain much rough, "broken" land, unsuited to wheat, that has remained in pasture and provides a base for a "going" livestock enterprise. Conversion of diverted wheat land to pasture is also a possibility in the eastern Plains, transition areas between the wheat and Corn Belt. Many of these farms have a going livestock enterprise which could be expanded to use additional hay or pasture.

But conversion of wheat land to range livestock-pasture is not as feasible on the strictly one-crop wheat farm, which now lacks range land, buildings, equipment, and in some areas, water for livestock. Except on the larger units, the amount of converted range would be too small to support an efficient sized livestock enterprise. Moreover, the conversion would require new capital investment whereas the returns in many cases would be postponed for several years.

Diversion of wheat land to summer fallow, as we have often seen, is not a solution to the wheat surplus. In some major producing areas wheat on summer fallow land produces 50 to 100 percent higher yield than continuous wheat. In many areas each acre of continuous wheat land diverted to fallow would reduce total wheat production very little or not at all--after the first year. A shift to fallow could, however, reduce the cost of production per bushel--again, after the first year. And the shift would have little effect on net farm income. But, in many of the drier areas in the West, farmers already are seeding most of their wheat on fallowed land and so they could not expand their fallow acreage. Thus a cut in wheat acreage could mean a similar cut in fallow acreage, except as substitute crops are also grown on fallow. Otherwise growers would be seeking alternative uses for both the wheat and the fallow land thus released.

Many wheat farmers can soften the impact of acreage restrictions and adjustments by improving their efficiency of operation. Further improvement is possible even though wheat production generally is already highly mechanized. Gains in production per hour of man labor and per unit of all resource inputs have been higher during the past 20 years among wheat farms than on many other types, as indicated in table 3.

Not all wheat farmers in the main producing areas or outside those areas are operating at high levels of efficiency. Some could use better and more timely farming practices, better varieties, cleaned and treated seed, more fertilizer, and more labor saving devices in handling the grain after harvest. There are various ways to improve yields of wheat. The acreage retained in wheat will tend to be the more productive land. All these things would make production more efficient and would help reduce the cost of production per bushel.

Table 3.- Average gains in efficiency in selected types of farming
1950-52 as percent of 1930-33 1/

Type of farm	1950-52 as percent of 1930-33 average	
	Production per man-hour of labor	Production per unit of all resources
Wheat-small grain-livestock (No. Plains)	272	175
Cattle ranches (No. Plains)	136	98
Wheat-pea (Pacific Northwest)	164	118
Cash-grain (Corn Belt)	227	139
Dairy farms (Western Wisconsin)	171	112
Cotton farms (Southern Piedmont)	97	143

1/ Selected data from Farm Costs and Returns, 1952, table 4, page 8, Agricultural Information Bulletin AE 116, BAE, Washington, D. C. August, 1953.

The problems of adjustment for individual wheat farmers will vary with the producing areas. They will loom larger in the specialized areas where wheat is now the main, often the only, farm enterprise--as in some portions of the Great Plains and the Pacific Northwest. In these areas adjustments will be difficult because there are few if any alternatives to wheat. Ecologically the wheat plant is better adapted to these regions than any other domesticated crop. Typical wheat farms in western Kansas and the Palouse now have a large proportion of their plowland in wheat. A substantial reduction in wheat acreage on these farms obviously would be of considerable consequence. On the other hand, in the eastern portion of the plains where wheat is grown on only a fifth of the cropland, and where more alternative crops exist, the adjustment problem will be less acute. A farmer in these areas could grow feed crops to good advantage.

In some eastern areas wheat is an important crop in the rotation. It is a multi-purpose crop--used as either a cash or a feed crop. It provides a nurse crop for seeding down grasses and legumes, a winter cover crop, and it permits a better seasonal distribution of the farm labor load. In some eastern producing areas, wheat has a comparative advantage over oats as the small grain in the crop rotation. Any adjustment below minimum acreage for these purposes would be difficult to make in the eastern States.

ADJUSTMENTS IN THE MAIN PRODUCING REGIONS

The foregoing are the general problems of adjustment facing wheat farmers. Now what adjustments can the individual farmer make next year--in 1954-- and in the years to come? Let us take up these questions in the main wheat-producing regions. We should mention again that the individual wheat farmer, particularly in 1954, may shift to feed grains and other crops, which could lead, in time, to surpluses. As we discuss the adjustments farmers are likely to make, we need to bear in mind that a diversion of land to fallow will not influence wheat yields until a year hence, that a diversion to feed grains generally will not result in more meat and livestock products for another year or two. And, diversions to hay and pasture in large parts will take even longer to produce a marketable product. This time lag could mean a considerable reduction in the family earnings during the transition period, however desirable the adjustment may be in the long run. But this time lag also may mean that suitable markets for these products may be more available at a later time.

Southern Plains

This is the hard winter wheat area. In 1953 farmers planted 36.0 million acres of wheat and the 1954 allotment is 29.2 million planted acres (table 4). This area was hit hard by drought this past year, in fact, has been dry for several years. The typical wheat farm in this area is large by most standards and much of the plowland is in wheat or fallow each year. Summer fallow to conserve and store soil moisture is a common practice, particularly in the western portion. Farmers also grow a considerable acreage of grain sorghum, some of which is often planted on abandoned wheat land. In the eastern part of this area farmers grow more feed grains (especially corn), hay, and pasture and they keep some livestock. In the western portions, the "high plains", wheat is sometimes combined with a range cattle enterprise. These differences affect the possible alternative lines of production.

The chief alternatives open to a wheat farmer in the Southern Plains are fallow, grain sorghum and other feed grains. Many wheat farmers now have some cattle or sheep, but hay and pasture are not immediate alternatives, i.e., will not yield immediate returns. In some areas, farmers commonly rent their winter wheat land as fall and winter pasture to cattle and sheep producers. The regulations in 1954 permit the planting of wheat for cover crop, hay and grazing in the designated drought areas.

The question of fallow warrants further comment. In the western part of this area, wheat after fallow nearly doubles the yield of wheat as compared to continuous cropping. Each acre of continuous wheat land diverted to fallow would not reduce wheat production much if at all--after the first year. Land cropped in alternate years would produce almost as much wheat (over time) as when cropped to wheat each year. Conversion of wheat land to fallow in this instance, however, would reduce the farm operator's cost of production per bushel--after the first year. For example, the average wheat farmer in southwestern Kansas in 1948 used fewer hours of man-labor and tractor-work and less seed to produce 100 bushels of wheat with alternate wheat and fallow

Table 4.- Wheat: Acres seeded, United States and by regions, averages 1935-50, annual 1937, 1942 and 1946-53

Period	United States	Southern Plains 1/	Northern Plains 2/	North-west 3/	Corn Belt: and Lake States 4/	South 5/	All other States
	Million acres	Million acres	Million acres	Million acres	Million acres	Million acres	Million acres
Average:							
1935-39	73.2	32.0	17.8	4.7	12.7	2.8	3.2
41-45	61.4	27.8	16.0	4.2	8.3	2.5	2.6
46-50	76.7	36.6	19.7	5.5	9.8	2.1	3.0
1937	80.8	35.6	17.9	5.4	15.4	3.6	2.9
1942	53.0	23.9	13.6	3.5	7.0	2.6	2.4
1946	71.6	34.7	18.6	5.1	8.4	2.0	2.8
1947	78.3	38.6	19.5	5.4	9.5	2.3	3.0
1948	78.3	36.0	20.7	5.6	10.6	2.2	3.2
1949	83.9	40.3	21.5	5.9	11.0	2.1	3.1
1950	71.3	33.8	18.0	5.2	9.5	1.8	3.0
1951	78.0	36.6	21.0	5.8	10.0	1.7	2.9
1952 6/	77.4	35.9	20.8	5.8	10.1	1.8	3.0
1953 7/	78.6	36.0	20.9	6.0	10.5	2.2	3.0

1/ Nebraska, Kansas, Oklahoma, Texas, Wyoming, Colorado, and New Mexico.

2/ North Dakota, South Dakota and Montana.

3/ Idaho, Washington, and Oregon.

4/ Ohio, Indiana, Illinois, Michigan, Wisconsin, Minnesota, Iowa, and Missouri.

5/ Virginia, West Virginia, North Carolina, South Carolina, Georgia, Kentucky, Tennessee, Alabama, Mississippi, and Arkansas.

6/ Preliminary.

7/ August 1 estimate.

than with continuous wheat, as indicated in table 5. 2/

Table 5.- Comparison of yield, labor and seed on two systems of producing wheat in southwest Kansas, 1948 1/

Item	Alternate wheat and fallow	Continuous wheat
<u>Per acre</u>		
Yield, bu.	21	13
Man-hours	<u>2/</u> 1.9	1.8
Tractor-hours	<u>2/</u> 1.4	1.3
Seed, bu.	1.1	1.1
<u>Per 100 bushels</u>		
Man-hours	<u>2/</u> 9.1	13.9
Tractor-hours	<u>2/</u> 6.7	10.0
Seed, bu.	5.5	8.5
Acres required	<u>3/</u> 9.5	7.7

- 1/ Type of farming area III-D-1.
2/ Includes tillage on the fallow land.
3/ Half of this is in fallow.

The figures on labor and tractor work include tillage of the fallow land. Half of the 9.5 acres required to produce 100 bushels under the fallow system are in summer fallow. In this instance the alternate wheat and fallow system required more acreage (9.5 acres) to produce 100 bushels, than did continuous wheat (7.7 acres).

A shift from continuous wheat to wheat-on-fallow would have little effect on either net income or on total wheat production, after the first year. However, because much of the wheat is now planted on fallowed land, the opportunity for more fallow is not extensive.

In the eastern portions, outside the fallow areas, a farmer can shift to feed grains, hay and pasture. The shift to feed grains can be made immediately. But a shift to hay and pasture in many instances will take time to establish grass seedings and to build up livestock numbers unless the farmer has a "going" livestock enterprise which can be expanded.

- 2/ Type of farming area III-D-1.

In 1954 a wheat farmer in the Southern Plains can divert a substantial acreage of wheat land to grain sorghum, and a smaller amount to corn, oats, barley, hay and pasture. Grain sorghum yields well, either after wheat or on summer fallow land, under good management and the net returns are not far below wheat. Some growers can put more land in summer fallow, which in many cases is an adjustment needed for greater efficiency. Some wheat land will go idle, at least in 1954--the first year of adjustment. In time, such idle land, if not incorporated into the fallow system, can be seeded to pasture or hay or allowed to revert to pasture as in the 1930's. Any general shift to grass and livestock will come slowly.

Northern Plains

This is the hard red spring wheat area that extends over parts of Montana and the Dakotas. It also produces durum--a wheat used in macaroni. Farmers here planted 20.9 million acres of wheat in 1953 and the 1954 allotment is 16.0 million acres (table 4).

Much of the Northern Plains has few alternative crops for wheat, the major substitute being barley. In some parts corn, oats, hay, grain sorghums, soybeans, flax and rye are possibilities. Ultimately a substantial amount of the diverted wheat land in marginal areas would revert to pasture from which it came originally, but that would take time. Much of this potential pasture land would be idle or fallow at first. Some would be seeded to pasture soon, but much of it would revert to pasture gradually without special reseeding.

Diversion to grass for hay or pasture and livestock production would appear to be a more promising alternative in the long run in the western, drier portions. This is also where the alternative cash crops are more limited, and where the wheat lands are interspersed with range pastures. These lands were among the last to be broken out of sod. Here drought is a serious hazard.

Hay and pasture is also a possible alternative in the eastern areas where there has been a gradual trend toward more grass. Diversion to legumes and grass will come more quickly in these eastern portions where new seedings have a better chance of success.

The question of fallow is somewhat different in the Northern Plains where wheat yields respond less to fallow than in the Southern Plains. In most cases the yield of wheat on fallow is 35 to 70 percent higher than wheat after wheat, as compared to 50 to 100 percent in the Southern Plains. In some cases the yield of wheat after corn is about equal to wheat after fallow. In the drier areas most of the wheat is now planted on fallow land. Generally there is not much opportunity for additional summer fallow in the western portions of this area.

In 1954 the major shifts from wheat are likely to be to feed grains--barley, and oats--with some shift to flax and minor crops. Some land may go into corn especially in the non-commercial areas where most of the small acreage grown is used as fodder and silage. The tendency of corn to increase wheat yields will make it attractive for diverted land. A considerable acreage will go to idle and fallow next year, though ultimately it will go to grass--for reasons already given.

Let us see what changes an average spring wheat farm in the Northern Plains might make in 1954. Such farms located in central North Dakota, 3/ average 671 acres in size. In 1953 they had 230 acres of wheat, 89 acres of oats and barley, 46 of flax, 14 of corn and 50 of hay. It is estimated that such farms will have to divert about 41 acres from wheat to some other crop or land use. Based on observation and study of farming in the area it is estimated that the use of 41 diverted acres would average out about as follows:

7 acres to oats
9 acres to barley
2 acres to flax
2 acres to corn
1 acre to tame hay or pasture
20 acres to idle or fallow

These are average figures; not every farm would make all of these shifts and the acreages would vary from farm to farm. These farms have some livestock--about 20 head of cattle, including 11 cows for beef or milk; one or two brood sows; and a few chickens for homeuse. No changes are estimated in livestock numbers or production in 1954. The acres and production of crops and the numbers of livestock for 1953 and 1954 are summarized in table 6.

The area where these farms are located suffered a serious infestation of rust in 1953 which reduced wheat yields a third, but yields of other crops were equal to or slightly above normal. Therefore, the production and income for an average farm were recalculated, based on "normal" yields, for comparison with the 1954 estimated situation (table 6). The estimated receipts and expenses for "actual" 1953, "normalized" 1953 and "estimated" 1954 are summarized as follows:

	<u>1953 situation</u>		<u>Estimated</u>
	<u>Actual</u>	<u>Normal</u>	<u>1954</u>
	<u>yields</u>	<u>yields</u>	<u>situation</u>
Total cash receipts	\$ 8,307	\$10,288	\$ 9,796
Perquisites (non-cash)	610	610	598
Change in inventory	676	676	0
Gross farm income	<u>9,593</u>	<u>11,574</u>	<u>10,394</u>
Total farm expense	5,209	5,209	5,306
Net farm income	4,384	6,365	5,088

Note that net farm income on a typical spring wheat farm was only \$4,384 in 1953. With a normal wheat yield, net farm income would have been about \$2,000 higher, or \$6,365. With 41 acres of wheat land diverted to other crops and

3/ Type of farming area III-A-3.

Table 6.- Crops and livestock on an average spring wheat farm in the Northern Plains, 1953 and estimated 1954
(Type of farming area III-A-3)

Item	1953			1954 (Estimated)	
	Acres	Production		Acres	Production
		Actual	Normal ^{1/}		
Cropland:					
Spring wheat	230	2,340 bu.	3,310 bu.	189	2,740 bu.
Oats	41	1,238 bu.	1,138 bu.	48	1,402 bu.
Barley	48	1,076 bu.	1,007 bu.	57	1,253 bu.
Flax	46	319 bu.	340 bu.	48	377 bu.
Corn	14	31 bu.	33 bu.	16	44 bu.
Tame hay	10	14 tons	13 tons	11	18 ton
Wild hay	40	45 tons	35 tons	40	35 ton
Idle and fallow	120			146	
Total cropland	544			551	
Native pasture and other	127			128	
Total land in farm	671			679 ^{2/}	
Livestock:	<u>Number</u>	<u>Production</u>		<u>Number</u>	<u>Production</u>
Milk cows	6	() 66 cwt.		6	() 66 cwt.
Beef cows	5			5	
Brood sows	18	18 cwt.		1	18 cwt.
Chickens	56	60		56	60
Milk		268 cwt.			268 cwt.
Eggs		640 doz.			640 doz.

^{1/} Adjusted for normal yields.

^{2/} Average farm is increasing in size each year.

used as we have shown, the 1954 net farm income is estimated at \$5,088. This amount is \$1,277 below the net farm income for 1953 assuming normal yields. Thus, if average yields are obtained, the estimated 1954 net farm income would be above the 1953 actual, but below what 1953 would have been with a normal wheat yield.

Pacific Northwest

This area which includes the main wheat growing areas of Idaho, Oregon and Washington is known principally for its soft winter wheat. However, some spring wheats and hard wheats are grown. In 1953 growers planted 6.0 million acres of wheat and the allotted acreage for planting next year is 4.3 million acres (table 4).

The Pacific Northwest has two wheat producing sub-areas. One is the Palouse where rainfall is sufficient for continuous annual cropping. Formerly much of the wheat stubble was fallowed to assure vegetative decomposition. More recently farmers have accomplished the same objective without fallow, by means of nitrogen fertilization. At the present, fallow is used largely for weed control. In 1954 some diverted wheat land may go into fallow. But much more is likely to go into barley (fertilized) and some land may be diverted to dry field peas, oats and minor crops. Since this area has limited natural advantages for grazing livestock, very little diversion will be made to hay and pasture. If wheat acreage restrictions are continued, some growers would attempt to develop livestock enterprises and would divert land to hay and pasture.

The other sub-area of the Pacific Northwest is the drier wheat-fallow portion as represented by north central Oregon and the Big Bend area in central Washington. Rainfall is too meager for annual cropping and summer fallowing in alternate years is the common practice. This area, like the western portions of the Great Plains, has few alternatives to wheat. Hay and pasture are ill suited because of the hot dry summers. There is little opportunity for more fallow. In 1954 diverted wheat land may go into barley and oats for cash crops. But considerable land is likely to be idle the first year. Eventually some of the diverted wheat land might be reestablished as range pasture but that would take time.

Other Areas

Wheat is grown in various other parts of the country, but in most cases it is a relatively minor crop. The problems of adjustment for the individual farmer in these areas will be touched on briefly.

The Northeastern States grow a little wheat. Many farmers there grow less than 15 acres of wheat, in which case no adjustment in their wheat acreage is necessary under the present law. A considerable part of the wheat is fed on farms where grown. Such wheat land as will be diverted next year, likely will go into various other feed crops such as oats, barley, hay and pasture. And a small amount might go into soybeans. On the whole, the adjustment problem does not loom large although it will be important to individual growers.

Many farmers in the Corn Belt and Lake States do not grow a great deal of wheat, but the crop is important where grown. In 1953 farmers in these areas planted 10.5 million acres of wheat (table 4). The allotted acreage for 1954 is 8.1 million acres. Many of the growers in these areas also have less than 15 acres of wheat. Land diverted from wheat could go into corn, soybeans, oats, hay or pasture depending on the area and the particular farm situation. Except for soybeans, these are feed crops and most farms typically have diversified livestock enterprises to use the feed. If corn acreage allotments are proclaimed, the diversion of wheat land to corn would be confined largely to the non-commercial corn areas.

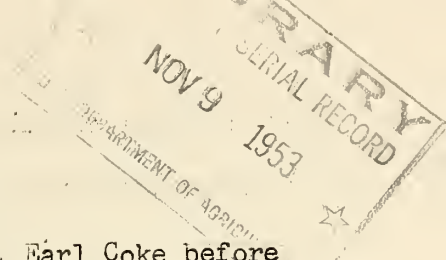
The southern States grow very little wheat (table 4). In 1953 they planted only 2.2 million acres and the allotted acreage in 1954 is 1.4 million. As alternatives they likewise have feed crops such as corn, oats, hay and pasture. In recent years southern farmers have been expanding their acreage of hay and pasture and also the number of cattle. This trend is likely to continue.

In the Pacific Southwest--here used to include California, Arizona and Nevada--a considerable part of the wheat grown is used in livestock feeding. These are deficit grain concentrate producing areas. In general winter barley is as well adapted and produces about as much feed per acre as does wheat. In the irrigated valleys winter barley makes good late fall and early spring pasture in addition to a grain crop. In many areas a diversion from wheat to barley could be made quite readily.

SUMMARY

From this brief discussion of alternative possibilities, it is readily seen that the adjustment problem is not the same for all wheat farmers. The problem differs with the tenant operator, the part-owner, the full owner, the "large" operator and the "small" operator in the same area. Within the Great Plains it is different in the eastern area adjacent to the Corn Belt, from the central single-crop wheat area, and the western side adjacent to range livestock farming. The problem is still different in the Pacific Northwest where alternative cash crops are limited and where there is little livestock farming now. East of the Plains the problem of adjustment is to find an alternative small grain crop which will serve as a nurse crop, a winter cover crop, a cash crop or a feed crop.

The adjustment problem of the individual wheat farmer has both its immediate and longer-run facets. A shift to cash crops would produce immediate income from the land. A shift to grains for feeding on the farm would mean a delay in income from that source up to a year or more. And a shift to hay and pasture in large part would result in postponement of several years while herds were being organized and grass was being established. The longer-run adjustments almost always are the more difficult to make, but if they are in the direction of balancing production with available markets they should be encouraged by educational programs and other means.



THE ROLE OF OUTLOOK

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Talk by Assistant Secretary of Agriculture J. Earl Coke before
the 31st Annual Agricultural Outlook Conference, Washington,
D. C., October 26, 1953

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It is a distinct pleasure for me to join in this working conference with the agricultural and home economists of the State Extension Services and people here in the Department. We need occasions such as this to get together--to exchange ideas and to generally strengthen our research and educational program directed toward achieving economic balance in our farm plant.

This conference has become a tradition. I am sure the representatives of the State Extension Services look forward with pleasure to renewing acquaintances, exchanging ideas and getting stimulation from discussion with kindred workers. This is a select group of the favored few, who are permitted to enjoy the benefits and assume the responsibilities of this task.

I wonder, if after 30 years we are doing too many things from habit, just because that's the way we're accustomed to doing them. Have we drifted too far in the direction of an annual convention? It seems appropriate to raise the question at the start of this conference of just what outlook means to us today. Is it a sort of crystal ball gazing and forecasting? What is its role? Is it meeting today's needs? Have we brought our techniques up to date to meet today's conditions? Are we getting adequate returns for the time, effort and expenditure involved?

Perhaps I am in an unduly questioning mood. But recent assignments on budget review and on reorganization of the Department have left some impressions -- perhaps some scars.

(more)

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Let us first of all take a look at the agricultural situation and the setting out of which outlook work developed.

Beginning about 1921 the major agricultural conversation was regarding agricultural prices. This came about largely because of distortions of production brought on by World War I and the realization that our former export market would not be restored promptly. Major efforts were first centered in the extension of credit facilities and expansion of the cooperative system in an effort to secure more effective collective bargaining for agriculture. There followed the Agricultural Marketing Act of 1929 which set up a Federal Farm Board. This brought the Federal Government actively into the farm price field. Great interest developed for price analysis, marketing and the outlook work was designed to give farmers a basis for more intelligent decisions concerning their production and marketing plans. Agricultural economists in the Department and the State College and County agents thought the nation worked diligently on this program.

We have been carrying on outlook work for 30 years. These have been dynamic years for American agriculture and rural life. Mechanization and modernization of farm production have proceeded rapidly, with many finding it difficult and some impossible to keep pace with the changes. Productivity per man-hour was increased during the war years and since then has continued to grow as new labor saving devices and new methods were adopted. Farming today is a highly technical operation. The most significant development during the past 30 years is the increased dependence of agriculture on government. The effects of government assistance and controls have, in many respects, overshadowed the economic forces. The minds of men rather than economics became the controlling factor.

Is it possible to carry on effective outlook work under these conditions when program activities of the Federal Government are such a dominant force? Should outlook work be eliminated if the centralization of power which has taken place during recent years is to be continued? We certainly have many illustrations recently in which the group interest of farmers

is in conflict with the economic interest of a farmer acting purely as an individual. How do we deal with these conflicts in our outlook work?

In an economy in which the effect of government programs greatly influence economic forces the pattern of production may not add up to a nationally desirable one. Can we in our outlook programs help to achieve a proper balance of production and point up what is likely to be most profitable to individual farmers? It seems to me that research and extension workers have an opportunity and an obligation to suggest modifications in farm programs that will make the desirable adjustments most profitable to farmers.

You know of our efforts to get the widest possible expression of opinion on the kind of farm programs our people want and need. Past and present farm programs were developed to meet conditions that grew largely out of emergency situations -- drought or war or depressions. We must gear our programs to the needs of the '50's, building on the experience of the past. And we want farm people to understand and help to build a long-time farm policy for the Nation. We hope it will be unnecessary to concoct new plans every few years to meet new emergencies. We want a farm policy that will stand the test of time.

You folks from the Land-Grant Colleges and Universities with your tradition for objectivity can greatly assist in obtaining a better understanding of the issues facing farm people. Many of you have prepared background material giving the pro's and con's of alternative lines of action. This activity is making a distinct contribution, and

we are confident that when farm people understand the advantages and penalties resulting from alternative lines of action, decisions will be made in the best interest of the Nation's welfare.

With production adjustments occupying such a dominant place in agriculture today, we need, if possible, to anticipate their effects and to give serious consideration to necessary modifications of outlook work. In this situation, the major effort must be to develop information which will enable the farm family to have a profitable farm enterprise.

I'm not sure just what reorganization or reorientation in our thinking would be required to carry out outlook work along these lines. I do believe that the farm management approach should be given a greater emphasis in rounding out and finalizing the outlook. Certainly, we leave too wide a gap between outlook information and the background farmers need as a basis for their decisions if we do no more than point out the factors in the prospective supply and demand situation.

Production adjustment for the Nation begins on the individual unit. If this country is to have an efficient and profitable agriculture -- if we are to make the desirable adjustments -- farmers must know some of the things that are desirable. To make adjustments farm by farm we must make sure that outlook information is translated into production possibilities that farmers can use. The outlook and the price must go in the same direction and not be in conflict -- what is desirable must also be profitable for individual farmers.

We need much more information on what is profitable for the farmer. We need to know what kinds of research will help the individual farmer.

We need information developed out of a sound research background that the Extension Service workers and others can use to help farmers develop profitable farm and home plans -- plans which in the aggregate add up to desirable national adjustments and a balanced pattern of agriculture.

If possible, the outlook must be more than just a one-year proposition. With the necessity for making production adjustment, farmers need to look into the future as to market opportunities and production costs. Despite the current maladjustments in the demand and supply situation for some products, we look forward to a continued improved diet for a growing population. During the past 10 years, population has increased at the rate of over two million persons a year. Will there be 200 million by 1975?

I hope you will take some time in this crowded schedule of reviewing commodity situations to appraise our outlook work. Can it be made more meaningful, more useful, and a tool which "will make a difference" in meeting agricultural production and marketing problems before us?

Assuming we accomplish this job, I would like to raise some further questions about its use. Will it end up in a dead-end street or will it be put to use?

The final test of outlook work is whether it can be and is translated into information applicable to State and local areas and made available to farmers so that adjustments can be made in line with it. You have the responsibility and the opportunity. You hold the answer as to the future role of outlook.

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UNITED STATES DEPARTMENT OF AGRICULTURE
Agricultural Research Administration
Bureau of Human Nutrition and Home Economics

SPECIAL NEEDS AND PROBLEMS OF FARM FAMILIES

Talk by John C. Ellickson, Division of Agricultural Finance and Harold Ellis, Division of Land Economics, Bureau of Agricultural Economics, at the 31st Annual Outlook Conference, Washington 25, D. C., October 28, 1953

The financial problems of farm operator families are similar to those of urban small business proprietors. In contrast, most wage and salary workers have no financial interest in the companies for which they work, and therefore are not subject to the risk of heavy capital losses. As a part of their job they usually have some protection against the hazards of unemployment, sickness, and old age.

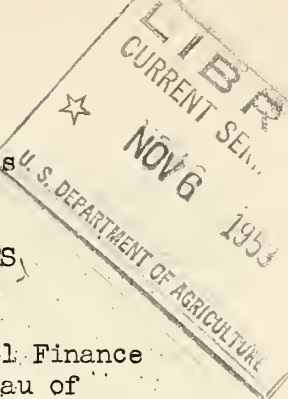
To start farming today with any reasonable prospect for success requires considerable ability, many skills, and a lot of capital. Furthermore, the standards of living of farm families are becoming more and more like those of urban families. Farm homes are now better furnished, more utilities are widely used, and a larger proportion of goods are purchased. Much of this increased cost of living is fixed - it goes on month after month and year after year, whereas net farm incomes tend to fluctuate widely.

These higher cash costs for living compete for the extra dollars needed for farm equipment and operations. And it is not to be expected that the net worth of the farm operator will be substantially increased by rising prices, as has so often occurred in the last 15 years.

Even the established farm operator family faces many hazards - loss of property and income, or possible sickness, accident, and death. Some - but not all - of these risks can and should be covered by insurance. In general, the cost of small and regular losses should be regarded as an operating expense; insurance should be carried only on those hazards that seriously endanger the financial position of the family.

To illustrate our main points, we have prepared an outline of the life cycle of the farm family. You know that an outline like this does not exactly fit any individual case. The outlook for farm prices changes from time to time, and no two families have the same goals, attitudes, and resources. One of the biggest differences is whether or not an operator has the financial backing of his parents or other relatives.

To illustrate some of the problems and choices to be faced, I will indicate briefly how a young man might get started in farming without help from his family. Following the table, let us assume that he is just married and about 25 years old. If he is short of capital and unwilling to take a long chance, he might work on a farm for wages and



some share of the profits to increase both his farm experience and his savings. As soon as possible, he should establish a line of credit and either buy or obtain the use of equipment to do some farming for himself. Or, if he can rent the kind of farm he wants, he may start out as an independent operator. If he is a veteran, he may use his GI rights to get more credit or he might be fortunate enough to be financed by the Farmers Home Administration.

The first few years of farming on his own are usually the most hazardous. His capital needs are so great that he usually has little in reserve. His needs for some kinds of insurance are at a maximum, just when he can least afford to pay the premiums. In most cases he should at least carry liability insurance on his car, fire insurance on his property, and all-risk crop insurance on the first few crops, if it is available. When crop prospects are average or better, he could also take out deductible crop-hail insurance to protect the value above the all-risk coverage. He also needs insurance to protect his family against unbearably high costs because of illness or accident, but suitable insurance for this is not now generally available. In case of his death, to protect his surviving dependents, the proposed extensions of Old Age and Survivors Insurance would be most helpful. In the meantime, the best insurance available at low cost is term life insurance, with a provision that he does not have to pay premiums in case of total disability.

In a few years, as he builds up his equity and his family becomes larger, he should increase the amount of his life, property, and liability insurance. At about this age our operator may be ready to buy a farm. His success so far in farming may have been determined as much by the farm price cycle and the size and productivity of his rented farm as by his skill as a farmer. Let us assume that he has accumulated enough capital to make a downpayment on a farm large enough and productive enough to support the family and also to pay off most or all of the mortgage debt. In spite of accumulated capital, his debt is again large, and more life insurance may be needed. This could be either term insurance or what is called a family-income policy, maturing in 15 or 20 years. This is a combination of decreasing term and ordinary life insurance that gives the maximum protection in the early years, when it is most needed.

As the children become older and begin to help with the farm work they should have 4-H projects or other financial incentives as a possible start toward a father-son partnership in the future. In another 15 years or so, the operator will begin to slow up and faces the problem of passing on more of the work and responsibility to others. We will discuss later some of the methods of transferring property to the heirs, and the situation of the young farmer who is backed by his parents.

After the children are grown and the mortgage paid off, additional savings may be used for retirement needs, because they are no longer needed on the farm. Now is the time to arrange for at least some assured income, independent of farm or family hazards. This cannot be done by the farmer and his wife because they do not know how long they

will live and need the income. This uncertainty can be taken care of by the insurance principle of spreading the risk over a large number of people. Some combination of savings, investment income, and annuity insurance seems desirable. The annuity should apply jointly to husband and wife, and be decreased by one-third if either dies.

If some farm earnings are expected until an advanced age, the annuity may be deferred at a large reduction in cost. For example, a man aged 60 pays \$1,000 for an annuity to a representative insurance company. If it begins at once, he will receive a monthly payment of \$5.29; if postponed until he is 65 he will receive \$7.76 a month, but if he waits 10 years he would receive \$12.05 a month. For \$1,000 paid at age 60, he would receive \$20.55 monthly, beginning at age 75. If he lived to that age, payments would continue for the remainder of his life; if he died before reaching 75 there would be no refund and the contract would be canceled. An assured monthly income after retirement would also be attained by most farm operators if the proposed extension of OASI becomes law. The monthly benefit payments added to the amount of savings we have assumed in this discussion, would be adequate for the needs of most elderly farm couples. They might choose to continue farming on a small scale, but would not be compelled to work beyond their strength because of financial need.

But in addition to those with adequate resources for which OASI benefits would be only an addition, however welcome, to their retirement income, there are many thousands of older and lower income farm operators who have not been able to accumulate any substantial amount of savings. Many of these would also be able to qualify for OASI, and for many of them the monthly benefits could make the difference between a self-respecting old age and the necessity of asking for charity.

Preliminary results from a research study being conducted in two counties in Virginia show that a little more than half of the farmers who had acquired farm ownership had some kind of family help to get started into ownership, through inheritance or gift, from family financing, or by working on the home farm. A rather surprising proportion of the farm owners studied had been able to get started without family help, by saving up enough to get started, by working at a nonfarm job, or by borrowing from nonrelatives. Only a few had climbed the old agricultural ladder--that is, from hired man to tenant to owner. Getting started by working at nonfarm work was found to have increased materially during and after World War II. However, if the opportunity for rapid accumulation of capital by working in industry decreases, young farmers without family help will likely find it more difficult to get started and become owners. 1/

One way in which family help often appears is in the form of a father and son (or son-in-law) operating agreement on the home farm. Actually, under such an arrangement, the help may run in both directions. The son may thereby be able to accumulate farming capital a little at a time, and at relatively low risk, while at the same time acquiring valuable farming experience. On the other hand, the father may be able

1/ See Hansing, F. D., "Buying a Farm With or Without Family Help," The Agricultural Situation, June 1953, pp. 7-8.

to slow down in his declining years and still live on and maintain a productive farm with a high level of farm income.

Some of these advantages become more apparent if we look at the adjustments made by 66 older farm operators in Wisconsin who had no children at home. Look at the table No. 26 included in the material you have received. Note that the number of cows kept per farm decreased substantially as the age of the operator increased above 50. Note that 21 of these farm operators also made other noticeable adjustments, including renting out part or all of their cropland or, in three cases, even allowing land to lie idle.

There are several types of father-son agreements. In the son's early years he may arrange with his father to carry on a 4-H or FFA project on the home farm. Later on he may work for his dad for wages plus perhaps a share of the farm income or of a certain farm enterprise. Then father and son may enter into a full-fledged joint-operating agreement, with the son gradually increasing his investment in the business and his share of the farm income. Then, as the son provides more and more of the labor and management and the father desires to retire from active farm work, the father may simply lease the farm to the son. Many father-son agreements, of course, don't go through all of these stages.

While such arrangements offer definite advantages, they also present several problems. For one thing, although the farm may be too large for the father to handle alone as he advances in years, it may not be large enough to support two families--the father's and the son's. Sometimes this problem can be remedied by switching to a more intensive type of farm enterprise, requiring more labor and capital and producing more income. But in many cases this problem is overcome only by renting or buying additional land.

There may be other difficulties. Not only must father and son be able to get along; the relations between the two families, and perhaps with other relatives, also need to be considered. Another problem is housing. The farm operating arrangement may often be doomed from the start unless separate living quarters are provided for each family.

Certain legal difficulties also have to be considered. 2/ Particularly when father and son are participating in the business on about an equal basis, they are likely to have a partnership, from the legal standpoint, even though they haven't thought about it. A partnership is in several ways a desirable type of legal relationship for father-son operations, but it has certain legal consequences that should be carefully considered. In many instances, for example, each may be held liable to third persons for acts of the other in carrying on their joint business.

2/ See Ellis, Harold H., "Some Problems in the Father-Son Partnership," Prairie Farmer, November 17, 1951.

Too often in father-son operations the ownership of property used in the business is not kept straight. These ownership interests should be kept as clear as possible--in a written operating agreement, in the farm account book, and in other ways. Such precautions are especially important because either operator might die suddenly, leaving the other to deal with his estate. Similarly, if the son helps to make improvements on the farm some clear and definite arrangement for compensating him should be made.

Irrespective of the type of operating arrangement entered into, the son and his wife may sooner or later become discouraged and lose interest in the deal unless some definite arrangement for transferring ownership of the farm is worked out. But there is also the question of security for the parents and equitable treatment of the other children to consider. Such interests may tend to conflict with one another. Security for the parents may not mean security for the son's family, and vice versa. Careful thought, a family discussion, and competent legal assistance are indispensable in trying to reach a sound solution.

A farm owner may use any of several different methods to transfer the ownership of his farm property, particularly the real estate, either before or upon death. For example, he could make out a will. Or he could make out a deed, for cash plus mortgage. Or he could draw up a contract to deed the property later. In most States the owner could make out a deed of gift but reserve the life use of the property for himself. Or he may take no action at all and simply allow the property to pass to his heirs on his death according to the State laws of descent.

A will may be used both as a method of transfer and as a precaution against untimely death. Used in the latter sense, it may be designed to effect a more satisfactory disposition of one's property in case of death than would be made under the State laws of descent, although not necessarily intended to fill the bill so far as one's long-range transfer plans are concerned. Thus, a young farmer with a wife and minor children to look after may find it desirable to will all of his property to his wife. For under State laws of descent she would probably have to share the property with the children. While she would often be appointed legal guardian of their property, in many States she may expend it on their care, education, etc., only as approved by a court. If this doesn't provide them with the level of living she would prefer, she is likely to use part of her own relatively small share of the estate for this purpose.

But as the farmer grows older it is probable that he will want to change his will to meet changed family needs. He may even want to revoke it and rely upon some other method of transfer. However, the provisions made by law for a widow may sometimes appear inadequate to support the farmer's wife when the husband dies, even though the children have all grown up. In this event he may want to provide something extra for her in his will. Or life insurance which names his wife as beneficiary may be used to provide her with additional means of support. Incidentally, a small amount of life insurance, made payable to his estate, may provide ready funds to pay creditor's claims, estate costs, and death taxes. This would help prevent the farm real estate or other property from being sold to meet such costs.

may not exceed the appraised value) and have the loan, if approved, 100 percent insured by FHA. The father is guaranteed an annual return on the principal plus interest at 3 percent, and he needn't foreclose on his own son in case of default. Instead, he may simply sell out to FHA, thereby, leaving the matter of foreclosure up to it. The loan must be for a term of 40 years, with prepayment privileges. Since prepayment is optional with the son the parents may in some cases not be assured of enough annual income to live on, although the father may sell his interest to a third person or, at the end of 5 years, he may sell out to FHA and reinvest the proceeds in shorter term securities.

This problem of security for the parents becomes increasingly important as life expectancies increase. This may also compound the difficulties associated with the natural desire of farm owner-operators to continue in that role so long as they can remain active. This tends to make it increasingly difficult for farm sons to arrange to acquire farm ownership before they have attained middle age.

There appears to be considerable interest of late in setting up farm businesses as corporations, partly because this is one way to get the farm operator covered under the present Federal Social Security program. ^{4/} As employees of a corporation, father and son may both be covered. This advantage may disappear, of course, if and when Social Security is extended to cover all self-employed farmers. There are other possible advantages of incorporating--relating, for example, to the acquisition of capital and the transfer of farm property. But the possibility of increased Federal income and other taxes, the costs and red tape involved in setting up, operating, and dissolving a farming corporation, and other factors need to be considered. In any event, there are restrictions in some States on incorporating to engage in farming, or on the ownership of farm real estate by corporations.

It should be borne in mind that the latter part of our discussion has indicated just a few of the factors which need to be considered in arranging property holdings, or the transfer of farm property. It is a many-sided subject. State laws differ and each farmer's situation will be a little different from his neighbor's. Particularly since the transfer of farm property is usually a once-in-a-lifetime proposition, it demands a good deal of careful planning, followed by competent legal help to put plans into action.

^{4/} See Smith, R. S., Incorporation of the Farm Business, Cornell Univ. Agr. Exp. Sta. Mimeo. AE 831, Rev. June 1953.

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UNITED STATES DEPARTMENT OF AGRICULTURE
Bureau of Agricultural Economics

TRENDS IN DAIRY PRODUCTION, CONSUMPTION AND PRICES

Statement presented by H. C. Kriesel at the 31st Annual
Agricultural Outlook Conference, Washington, D. C.
October 29, 1953

The year 1954 may bring the dairy industry many experiences similar to those in 1953. Consumer demand for milk products, we think, will be about as strong in 1954 as it has been this year. Milk production may be about equal to the prospective level for 1953-- 118-119 billion pounds. However, the carryover of manufactured dairy products into 1954, including Government price-support holdings, will be a record high. The total supply of milk and dairy products in 1954 will be equivalent to 127 or 128 billion pounds of whole milk, compared to 124 billions this calendar year. In 1953, commercial and farm uses of milk products took the equivalent of 115 billion pounds of whole milk. Even if no milk products were sold out of Government stocks, supplies for 1954 would substantially exceed demand at prices approaching this year's level.

Now, what can be said about the important matter of dairy prices for 1954? With demand and supply prospects as we see them at the present time, we conclude that, perhaps more than in other recent years, the price will depend heavily upon the level at which dairy supports will be set for the marketing year which begins April 1, 1954. Under existing law, it is mandatory that the Secretary of Agriculture announce a support price for milk and for butterfat at between 75 and 90 percent of parity. In the current marketing year the objective has been to support these products at 90 percent of the parities which prevailed at the time the announcement was made early last spring. Assuming the parity index does not rise from the present level, the maximum support next year would be 1.4 percent below the support level in effect for the current marketing year. The parity index has declined this amount since the announcement of price support for this year.

Milk production behaved in a very unusual manner in the past 15 months. Prior to that time it had fluctuated relatively little for several years. In 1952 the annual rate of milk flow reached a record low of 110 billion pounds in July. It rose slightly from July through November, then jumped to 123 billion pounds, annual rate, in December and stayed there through the winter. This surge in output was a manifestation of both larger cow numbers and higher rates of production per cow. Cow numbers turned upward rather abruptly in the second half of 1952, after having declined 16 percent for the United States as a whole from 1945 to the beginning of 1952. The latest data on cow numbers--as of June 1953--show a gain of 2.6 percent over a year earlier. The increase in milk cow numbers was mainly the result of the decline in the price of beef cattle and in carcass values of milk stock, though the downturn in cash receipts from other enterprises may have induced farmers to milk more cows. The high rate of production per cow was associated in one way or another with unusually favorable weather conditions. In the first place, the 1952 hay crop in most areas was put up under more favorable circumstances and was of higher quality than in other recent years. The mild winter was directly favorable to heavy milk production and in some of the Southern areas more pasture feed was available than normally. In addition, the rate of concentrate feeding has continued relatively heavy and the quality of cows on the average no doubt shows improvement year after year.

The rate of milk flow declined to 115-116 billion pounds this past summer, partly because of severe drought in some sections of the Nation. There probably will be some pick-up from this level in coming months but it is not likely to reach the record high of last winter. In view of the prospective price relationships and numbers of cows and feed supplies, it is likely that total milk production in 1954 will be in the neighborhood of the 118-119 billion pounds produced in 1953.

The unusual fluctuation in milk production in the past 15 months has resulted in very sharp changes in the way milk has been utilized. Production of butter, for example, increased to an annual rate of more than 1.5 billion pounds in the first quarter of 1953, compared with 1.2 billions in September 1952 and was back to about 1.2 billions by mid-October of this year. Likewise, production of American cheese has shown wide fluctuations but, like butter, has continued sharply above a year earlier until recent weeks. Production of nonfat dry milk has been in excess of a billion pounds, annual rate, since December 1952 and has been from 20 to 70 percent above that of a year earlier. These three products have been purchased by the Department to implement the price-support program. Production of most other manufactured dairy products has been smaller than a year earlier. Barring unusual weather, the flow of milk will vary considerably less this coming year, and there should be considerably less variation in the patterns of milk utilization. The major change, if price supports were left unaltered, would be a moderate increase in total fluid milk consumption to take care of the increase in population, and some decline in use of milk in butter and possibly cheese. The increase in population in the next 12 months with a constant per capita rate of consumption will take the equivalent of 50 million pounds of butter or 100 million pounds of cheese. If price supports are lowered substantially, there would tend to be some shift in the pattern of milk use, with a larger proportion in fluid milk and ice cream and less in production of butter, American cheese and nonfat dry milk.

In the past 12 months retail prices for dairy products have declined only slightly, while prices received by farmers for milk and butterfat dropped 13 percent. As a result, the gross spread between the farm and retail price widened considerably. This reflects higher returns to labor and to other services connected with marketing agencies. Despite the larger consumer incomes in 1953 and the slight drop in retail prices, consumption of most dairy products changed little from 1952 to 1953. The major exception was nonfat dry milk, the item in largest surplus position. For this product, a long upward trend came to a halt in 1953, with a decline from 4.6 pounds per person in 1952 to around 4.0 pounds in 1953. In part, this decline probably reflects a greater availability of skim milk in deficit seasons this year for making the various skim milk drinks and cottage cheese. However, per capita consumption of milk solids-not-fat per person, in all forms also showed a little reduction this year, after rising steadily from 46.0 pounds in 1948 to 47.3 pounds in 1952. Commercial sales of butter in 1953 are showing no increase over 1952, despite lower retail prices and strong consumer demand. But with the quantities of butter disposed of out of Government price-support operations civilian consumption per person, on the average, for the year as a whole probably will be about the same this year as last. In 1952 we used 8.6 pounds of butter per person, compared with 10 to 12 pounds from 1943 to 1950 and nearly 17 pounds in the late 1930's. Per capita consumption of milk fat in all forms apparently dropped to a new low in 1953 of about 27.0 pounds. The figure was 27.3 pounds for 1952, 28-29 pounds in 1948 through 1951, and 30-32 pounds in practically every year before 1948.

As many of you know, a revised series on fluid milk and cream consumption has been released since the last Outlook Conference. This shows we are consuming now about 352 pounds of milk per year as fluid milk and cream, compared with a wartime peak of 399 pounds in 1945 and with the 1935-39 average of 330 pounds.

Consumption of the individual dairy products probably will change little from 1953 to 1954, unless price supports are reduced substantially. In that case, consumption would increase somewhat. With the supplies of feed concentrates now on hand, prices for feed grains are not likely to change appreciably for a number of months. Prices for dairy products are not likely to be above average in relation to feed prices during the coming year. Dairy-product prices have fallen less than prices for beef cattle but in the coming year both milk and butterfat prices are likely to continue below average in relation to beef cattle as well as hogs. Cash receipts for milk and its products may fall below 4 billion dollars in 1954 for the first time since 1950. Receipts in 1953 will be about 4.2 billion dollars. The record was 4.6 billion dollars in 1952. Dairy costs may decline a little next year and net income from the dairy enterprise probably will be little different in 1954 from that of 1953.

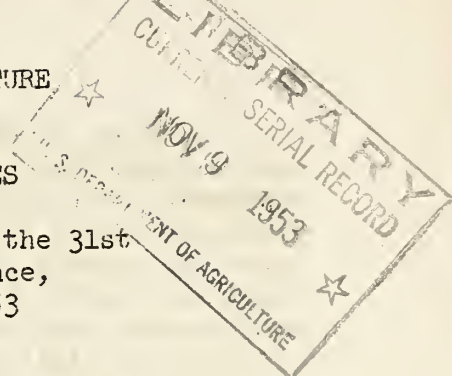
During the calendar year 1953, the Department of Agriculture purchases of dairy products will be equivalent to nearly 10 billion pounds of whole milk. These purchases, however, have been drawn from two marketing years. In the marketing year ended March 31, 1953, most purchases were made in the January-March period. Purchases totaled 443 million pounds of butter, 75 million pounds of cheese and 210 million pounds of nonfat dry milk. These purchases were drawn largely from stocks carried over from 1952 milk production and in total were equivalent to about 3 percent of the output of milk in the 12 months ended March 31, 1953. In the current marketing year, through October 23, purchases have been 217 million pounds of butter, 206 million pounds of cheese and 371 million pounds of nonfat dry milk. These quantities are equivalent to around 5 percent of probably milk output this marketing year. However, with the drop in current output of these items, sales of price-support stocks to private firms already have started. Such sales are likely to continue for the next few months. Unsold supplies as of October 23 consisted of 256 million pounds of butter, 258 million pounds of cheese and 413 million pounds of nonfat dry milk. Wholesale markets for dairy products have strengthened substantially in recent weeks with the seasonal drop in milk output and prices of a number of items have advanced somewhat.

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UNITED STATES DEPARTMENT OF AGRICULTURE
Bureau of Agricultural Economics

TRENDS IN WHEAT SUPPLIES AND PRICES

Statement presented by Robert E. Post at the 31st
Annual Agricultural Outlook Conference,
Washington, D. C., October 28, 1953



The real purpose of a discussion of supply and price trends with regard to wheat and looking to the outlook for 1954 is to set up the background for comments and discussions that follow. I say this because I am aware that many of you are already well informed in these regards. You have been following the wheat situation for a long time and the statement of background and outlook for the 1954 crop was published in The Wheat Situation in August to be helpful to farmers in making plans before seeding the winter crop. I might add that we had originally planned to publish that report beginning this year in July, but it was advisable to wait until after the referendum on August 14.

Accordingly, what I am about to cover may be considered a brief review of trends culminating in the present situation and a look into the 1954-55 marketing year.

This first chart (42549-XX) shows wheat acreage climbing from 53 million acres in 1942 to 83 million in 1949, a little drop back in 1950, but then at very high levels again in 1951, 1952, and 1953. The small acreage in 1942 was associated with marketing quotas in effect that year when domestic wheat supplies reached an all-time high of 1,600 million bushels, including July 1 stocks of 631 million bushels. Exports had averaged only 33 million a year for a 4-year period. But the war changed this acreage picture. With great quantities needed, acreage went up. Wheat was subsidized for alcohol for war uses and for feed to supplement short feed grain supplies. This cut the large carryover in half in two years, and beginning in 1945, unusually large exports largely absorbed the excess over domestic use until 1952-53, when year-end stocks reached the high level of about 560 million bushels. As a result of marketing quotas, which reflect the need to restrict further increase in carryover stocks, the smallest wheat acreage since 1943 is in prospect for the 1954 crop.

The increase in production since 1942 is shown in the chart (42549-XX) on the left. Production in these years not only reflects increased acreages, but yields in most years were high, resulting from favorable weather, improved seed, and improved practices. The drop in 1951 reflected low yields in that year.

This chart (49376-XX) shows U. S. wheat supply, which includes not only production but also imports and carryover. The fact that crops have been above a billion bushels in all but one of the last 10 years is shown by looking along the one billion-bushel line. Only once before have we ever produced a billion bushel crop,--in 1915. The exception in 1951 was not far below a billion. This chart shows the carryover was record large in 1942, that it declined to 1946, and then increased to near record levels in 1953.

Now let us look at the situation as it exists in the current 1953-54 year. Total wheat supplies are estimated at about 1,730 million bushels, consisting of a July 1, 1953 carryover of old wheat of about 562 million, a crop estimated as of October 1 at 1,163 million, and imports of about 5 million bushels of feeding quality wheat. This would be the largest supply on record, 8 percent above the previous peak in 1942-43 and 10 percent above a year earlier. Domestic disappearance for 1953-54 is estimated at about 700 million bushels, slightly more than a year earlier. If exports total about 250 million, over 775 million would be left for carryover on July 1, 1954. This would be almost a fourth above the record of 631 million in 1942 and over a third above stocks on July 1, 1953. Of the 562 million-bushel carryover on that date, the CCC owned 470 million bushels.

As already indicated, a smaller wheat acreage and production is in prospect for 1954 as a result of marketing quotas. If the acreage seeded for the 1954 crop approximates the national allotment of 62 million acres and if yields equal the 1943-52 average, 950 million bushels would be produced next year. It should be emphasized that this is not a forecast of production in 1954. The figure is based on the assumption that yields will be average and that farmers will comply with acreage allotments. It is too early to assume other than average yields. With regard to acreage, the dry weather may hold seedings close to the 62-million acre level. Had seeding conditions for the winter crop been favorable, there would have been a tendency to slightly exceed the 62 million acres. The increase would have been supplied by small producers, who do not care about taking advantage of the support programs, bringing their seedings up to 15 acres. A crop of 950 million bushels would about meet anticipated domestic and export needs for 1954-55, and leave a carryover about as large as the 775 million bushels expected in July 1954. In short, prospects are that we may about hold our own without increasing our carryover further. If unfavorable weather reduces yields below average, a reduction in carryover could result. On the other hand, exports of less than 250 million bushels in either 1953-54 or the next year would probably increase the carryover.

So much for trends and outlook for supply. Now let us turn to prices.

This chart (43311-XX) shows wheat prices and loan rates at Kansas City. The loan programs started in 1939 and it will be observed that loan rates have climbed steadily over the years. It will also be observed that wheat prices have averaged around or near the effective loan level for the season, except for two years. In 1946-47 and 1947-48 demand was exceptionally strong and prices were substantially above the support. Before leaving this chart, it might be well to point out that in every marketing year in the last 14, monthly average cash hard winter wheat prices were lowest of the year in either June, July, or August. In 8 of the last 13 years, prices averaged highest in March or later. In other years, except in 1952-53, when prices averaged highest in November, the high has occurred in the December-February period. Prices have exceeded the loan at sometime during the season in every year except 1952-53.

Cash wheat prices have again been strengthening this year. On October 26 cash winter wheat prices were 23 cents above the level on August 10, preceding the referendum vote. Prices of spring wheat reached a low point on August 19, and by October 26 had advanced about 31 cents.

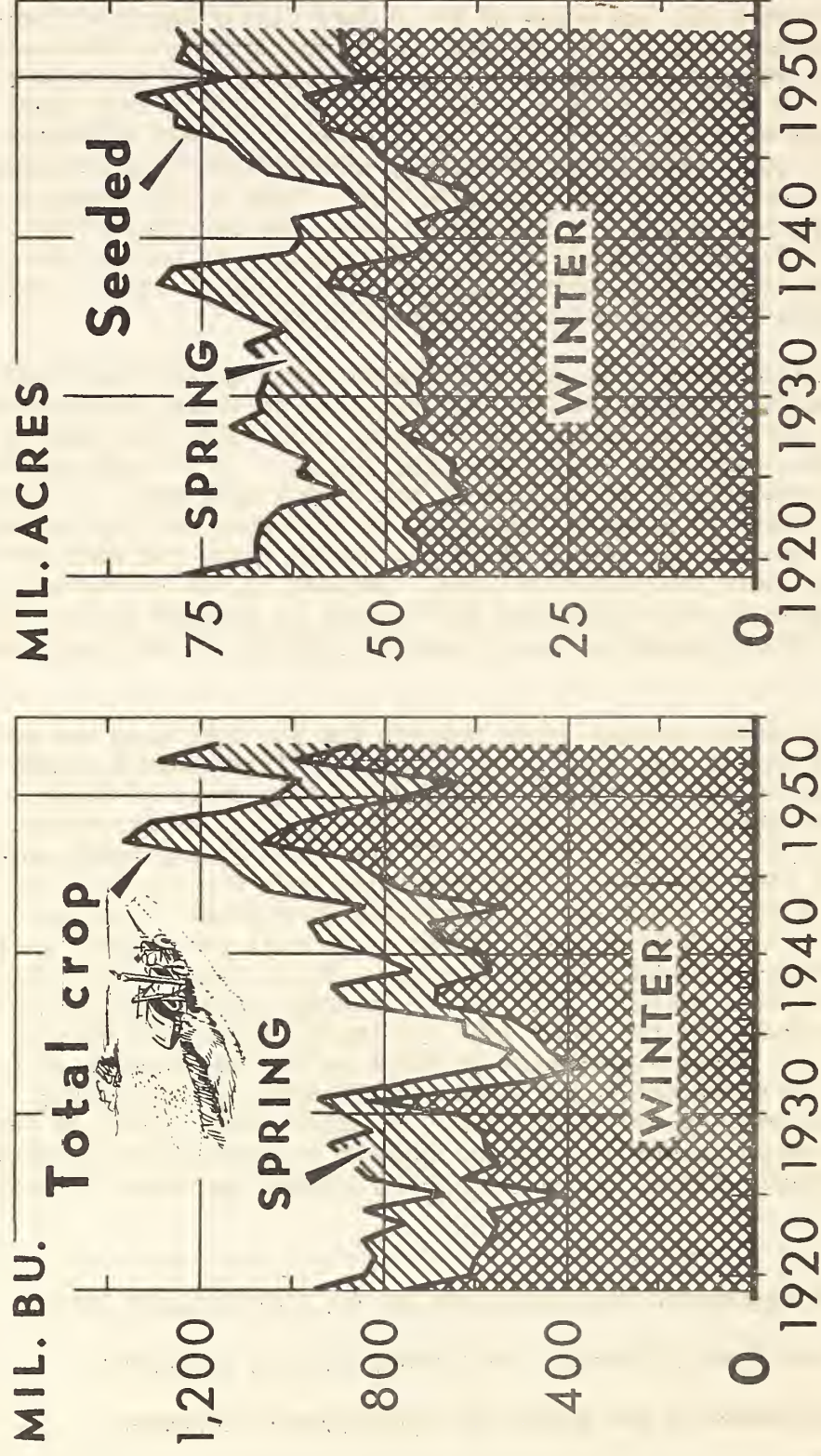
On October 26, the price of No. 2 Hard Winter Wheat at Kansas City, ordinary protein, was \$2.29, 12 cents under the effective loan rate after allowing for storage charges of 8 cents per bushel. At the same time, the price of No. 2 Soft Red Winter at St. Louis, reflecting very large supplies of this class of wheat, was \$2.00, or 45 cents below the effective loan. The price of No. 1 Dark Northern Spring, ordinary protein, at Minneapolis was \$2.36, 8 cents below the effective loan. Some strong protein hard winter and spring wheats are moderately above the net loan after charges. The price of No. 2 Hard Amber Durum at Minneapolis on October 26 was \$3.85, reflecting a very short supply of this class of wheat. This market price of durum was \$1.33 above the effective loan.

The strengthening of prices reflects large quantities being withheld by growers. The market has also received strength from critically dry weather over the southwest winter wheat belt, which has impeded planting and been unfavorable to early seeded fields. It is expected that prices will continue to strengthen as the season advances. In 1952-53 the average price to growers, including an allowance for unredeemed loans at average loan values, was 10 cents per bushel below the announced loan and slightly under the effective loan. Because of the low market prices early this season, it is expected that prices to growers in the 1953-54 year as a whole will be slightly less favorable relative to the loan than in 1952-53.

The national average price support for the 1954 crop was announced on October 8 at not less than \$2.20 a bushel. This minimum support price is 90 percent of the August 15, 1953 wheat parity price of \$2.45. Support for 1953-crop wheat, now eligible for loan and purchase agreement, is a national average of \$2.21 a bushel. If the wheat parity price as of July 1, 1954 (the beginning of the marketing year for the 1954 crop) is higher, the support level will be increased to reflect 90 percent of the wheat parity price at that time. In no event will the support be lower than the announced \$2.20 national average. To be eligible for wheat price support in 1954, a producer must (1) be in compliance with his 1954 wheat acreage allotment and all other 1954 allotments which have been or will be established for basic commodities in which he has an interest on his farm, and (2) obtain wheat marketing cards for all farms in the country on which he has an interest in the wheat crop. In short, with regard to prices, even though supplies are very large, farmers continue to be assured of the price advantages offered by the loan and purchase agreement programs.

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WHEAT PRODUCTION



DATA FOR YEAR OF HARVEST

UNITED STATES DEPARTMENT OF AGRICULTURE
Bureau of Human Nutrition and Home Economics

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U. S. DEPARTMENT OF AGRICULTURE

Time and Money Costs of Meals Using Home- and Prekitchen-Prepared Foods X

Statement from a panel discussion at the 31st Annual Outlook Conference, Washington, D. C., Thursday, October 29, 1953

Summary

A test of feeding a family of four a day's meals purchased in three forms--with as little advance preparation as the market affords, with foods partially prepared, and with foods ready to serve--showed that the saving in time from using prepared foods is large, compared with the added cost. The meals using ready-to-serve foods cost over a third more, but took only about a quarter as much of the homemaker's time, compared with meals for which more preparation was done in the home kitchen (see chart). Meals emphasizing the use of partially prepared foods were a sixth higher in cost, and about half as time-consuming as the home-prepared meals.

Food costs were computed from average prices in three supermarkets in Washington, D. C. and fuel costs are from records of fuel consumed. Time costs are averages of figures recorded by two home economists, one working in a laboratory, and the other working in her own kitchen. The test covered meals for a family of four for 2 days. Thus the time data for each of the three kinds of menus are averages for 12 meals.

Objectives and plan of the test

This test was made to provide a measure of the impact of the commercial processing of food on the cost of a family's foods, on the time spent in food preparation, and on the acceptability of meals served. It is well known that pre-preparation adds to the cost of food, that it releases the homemaker's time for other activities, and that the resulting meals are less acceptable to many, but no measure of these differences was available. This investigation differed from tests of individual foods that have been made in that the foods were combined into menus to give each an importance in the total approximating its importance in home meal preparation.

Menus for three meals a day for 2 days were developed with quantities sufficient for a family of four. Each menu was expressed in terms of foods available on the market in three stages of preparation, briefly described as "for home preparation," "partially prepared," "ready to serve." (See pages 6, 7 for the menus used.)

In developing these menus the first consideration was to use foods available in Washington supermarkets in these three forms at the time of the investigation (July 1953). Some foods that are commonly used, certain popular cuts of meat for example, were not included because they were not found on the market in different forms with respect to pre-preparation.

The meals planned were of the kind generally regarded as "good," though more varied and expensive than the everyday meals of most families. To illustrate the impact of preparation on the total job of feeding a family, all meals were planned to be served at home, even though it is known that many meals are eaten away. Accordingly, the menus could be thought of as referring to two holidays, with all family members at home and with meals more elaborate and generous than usual.

Although the menus were designed with nutritional recommendations in mind, they are not presented as the "best" array of foods that could be chosen from a nutritional point of view. Specifically, the meal plans were made to conform to the recommendations of the "Basic 7" in the provision of foods from several groups. Calories were estimated in order to be sure that the meals were sufficient for four persons with relatively high nutritional requirements, among them a teen-age boy and girl. However, the exact nutrient content of the meals was not determined.

The quantities of food served were the same in the three series of meals. The foods served were also made as comparable as possible, although this could not be achieved completely because the composition of the prepared foods was not known. For example, for the meat pie the kinds of vegetables and meat and the proportions of crust, meat, and vegetables were determined for the ready-to-serve, and duplicated for the partially prepared and home-prepared products. For such other foods as cakes, cookies, and sherbet, simple recipes were used for the home-prepared products.

In short, the menus were not designed to be typical, but rather to present an example of the use of home-prepared and commercially prepared foods. The family is larger than average; all meals are served at home; the menus are somewhat more liberal and costly than average. The three sets of menus illustrate maximum differences in the use of home-prepared and commercially prepared foods rather than the combinations of these foods that are the more usual menu pattern.

Time costs

The time recorded in this investigation included the preparation of food, cleaning up after food preparation (washing, drying, and storing utensils and equipment used in preparation), setting the table, and serving the meals. This came to a total of 5.5 hours for home-prepared, 3.1 hours for partially prepared, and 1.6 hours for ready-to-serve meals (see chart). Not included are the washing of dishes, silver, and glassware, and cleaning of the kitchen after meals or the time that elapsed while the meals were eaten.

Time spent in active work and time spent in watching while foods were cooking were reported separately. The watching time was only 9 percent of the total. It amounted to 0.5 hour for the day for home-prepared meals and less for the other meals.

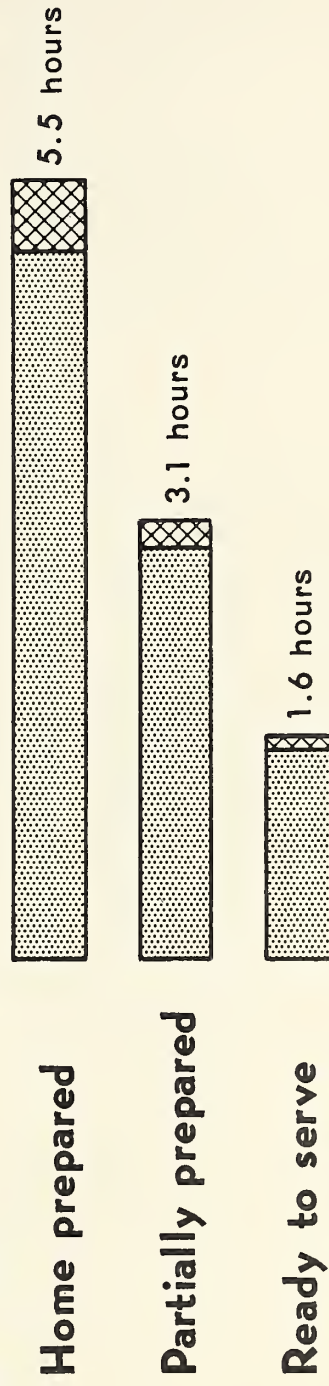
COST OF MEALS

for a family of four, one day

IN MONEY



IN TIME



Food



Fuel



Preparation, cleaning up, and serving



Watching time

The time spent by the homemaker in waiting for foods to bake, chill, or freeze, was recorded but is not included in the averages reported here. Such processes required so little attention from the homemaker that she was free to undertake other work. An effort was made, however, to minimize this time by scheduling the work as a homemaker would to make most efficient use of her time in the kitchen. When foods were served that are normally prepared in quantities larger than for one meal (for example, cookies), an appropriate share of time and money costs was assigned to the meal.

Differences in time costs of meals from foods purchased in different stages of preparation were greatest for dinners, least for breakfasts. However, time costs are difficult to estimate with so few observations for dinners, because of the greater possibilities of variation. For example, the two menus and the two workers produced less uniform results for dinners than for other meals, especially for the more time-consuming home-prepared meals.

Money costs

Food and fuel together for meals for a day for four persons cost \$4.90 for the home prepared, \$5.80 for the partially prepared, and \$6.70 for the ready to serve. Fuel costs were a small part of the total, and taking them into account had little effect in decreasing the cost differences between the three kinds of meals (see chart). Cost differences among meals from foods in the three forms were much more for lunch and dinner than for breakfast.

The cost of food served in these meals--40 cents per meal per person for home prepared; 48 cents for partially prepared; and 55 cents for ready to serve--shows the pattern of food consumption provided by the menus to be above average for the urban population as a whole. From a nationwide survey of urban families in the spring of 1948 (including parts of the U. S. where incomes and food expenditures are lower than in Washington), the average cost of family meals served at home was estimated at 32 cents per meal per person; 7 in 10 families served meals at home at a cost for food of less than 40 cents per person. Food prices have increased by about 9 percent since the spring of 1948. Since the average city family market basket in 1948 included some partially prepared and ready-to-serve foods, it is likely that the level of expenditures represented by these menus is at least 20 percent higher than average.

In setting up the menus, an effort was made to use only the fresh fruits and vegetables in season, but to avoid any that might be so briefly plentiful as to be unusually low in price. However, during July when the prices were obtained, there were no unusually low seasonal prices, because of drought conditions. Some of the fresh forms of the fruits used were even slightly more expensive than the processed forms. In another season, or in markets in another locality, the cost of the fresh products might have been less.

Food costs were estimated from prices obtained from three chain supermarkets in Washington, D. C. in the middle of the week that included July 15, 1953. Prices of individual foods were for the same quality or brand in each store whenever possible. When this was not possible, the price was obtained for the quality or brand reported by the store as sold in largest volume.

Fuel costs are for gas for the range and electric energy for the waffle iron, toaster, mixer, and ice cream freezer. Consumption was measured by meters in the laboratory situation only, as fuel consumption could not readily be measured in the home kitchen. However, the laboratory equipment was operated as the cook would have used it in her own home, that is, by estimating the time for starting the oven to preheat, rather than by determining it precisely in advance. Fuel rates are those applying to Beltsville, Maryland.

Acceptability of meals

The meals prepared in the laboratory were served family style to a group of four members of the staff--two men and two women--who rated the acceptability of each item on the menu separately on a 5-point scale in which 5 represented very good; 4, good; 3, fair; 2, poor; and 1, very poor. In addition, each judge was asked to give his general impression of the meal as a whole. None of the panel members were trained in advance of the project to discriminate differences in quality of these particular food products. The order of serving the three types of meals, which was unknown to the tasting panel, was (a) ready to serve, (b) partially prepared, and (c) home prepared. Had the order been reversed or randomized the results might have been different, as the panel became trained to recognize quality products as the project progressed. If they had eaten the home-prepared products first, they might have rated the ready-to-serve items lower than they did. Some of the panel members remarked that they could have rated the food (in the home-prepared meals) higher than 5 if the rating scale went higher. This may have been an indication that they started too high on the rating scale for the products tested first.

Although the home-prepared meals were preferred, those made from partially prepared products were nearly as acceptable. The meals from ready-to-serve foods were less acceptable. The average combined scores were: home prepared, 4.9; partially prepared, 4.3; and ready to serve, 3.8.

Within each group, individual foods differed in acceptability. For example, some of the prekitchen-prepared foods were rated very good, but two were definitely of inferior quality when purchased. Individual foods differed also in the time-money relationship. Some of the prepared foods were judged excellent buys, in terms of their money cost and the time of preparing them; others were rated low in value for time saved. Since the purpose of this investigation was to show the differences in time and money cost in the framework of a day's meals, too few samples of each food were tested to report the specific foods in different forms most and least satisfactory, in terms of time, money, and palatability. Many more market samples would need to be tested for definitive results as to the types of food most acceptable and most economical in terms of time and money.

Implications for home management

In making selections among the several forms in which many foods are marketed, homemakers probably consider the factors discussed here in varying degrees. It is not suggested that they should estimate either their time or

money costs with as much care as was done in this test. But time and money are critical in the home management job, and few homemakers can afford to ignore them.

The importance assigned to time, on the one hand, and money, on the other hand, is an individual and family matter. The homemaker who participated in this test, for example, was wholly responsible for the care of small children, the laundry, cleaning of the house, etc. The day's menus in the home-prepared form cost \$0.90 less than in the partially prepared form and \$1.80 less than in the ready-to-serve form. But the home-prepared meals took 2.4 hours more working time than the partially prepared, and 3.9 hours more than the ready to serve. Even if the menus had been simpler, this homemaker reported that it would have been impossible for her regularly to prepare as large a share of the family's food at home as was provided in the first set of menus without neglecting other activities more important to her family. A homemaker with paid employment might come to the same conclusion. But one with more time at her disposal might find attractive the money savings that could accrue from increasing the amount of home preparation.

The quality of the product and the importance attached to a good quality product also are highly individual matters. Both the laboratory and home worker in this experiment are more skilled than a great many homemakers and their skill was most needed for the home-prepared products. On the other hand, the standards of acceptability of those who ate the meals may be higher than average. A less skilled homemaker, or a family that does not prize quality would have less reason to prefer the home-prepared product than was true in these circumstances. But other homemakers find home food preparation a rewarding art, especially for families that set a high value on home-prepared food.

Money and time cost of meals for 1 day using home- and pre-kitchen-prepared foods (Family of four for 1 day, July 1953)

Item	Home-prepared	Partially prepared	Ready-to-serve
Money cost, total.....dollars..	\$4.90	\$5.80	\$6.70
Food.....do....	4.79	5.72	6.66
Fuel.....do....	.11	.08	.04
Time cost, total.....hours..	5.5	3.1	1.6
Preparation, cleaning up, serving 1/.....do....	5.0	2.9	1.5
Watching 2/.....do....	.5	.2	.1

1/ Includes cleaning up after preparation (but not after meals), and serving time (but not time while the meal was eaten).

2/ Does not include time while food was cooking and the cook was free to leave the kitchen.

Menu items in the study

Given below are the chief menu items used in the three types of meals. For home prepared, except where noted, all menu items were prepared with separate ingredients. For the partially prepared and ready-to-serve meals, the degree of prekitchen preparation is indicated in parentheses. There were a few foods such as the toast and eggs that were the same for all three types of meals.

In addition to the foods listed, table fat was included in all meals, and milk and sugar when coffee and cereal was served. Coffee was served to adults for breakfast and dinner. Instant coffee was used for the ready-to-serve meals and percolator or drip coffee for the other two types of meals. Milk was served to adults at lunch and to the children at all meals.

Menu items

<u>Home-prepared</u>	<u>Partially prepared</u>	<u>Ready-to-serve</u>
<u>Breakfast</u>		
I		
Orange juice (fresh)	Orange juice (frozen)	Orange juice (canned)
Cereal, long cooking	Cereal, quick cooking	Cereal, ready to eat
Eggs, soft-cooked	Eggs, soft-cooked	Eggs, soft-cooked
Toast (purchased)	Toast (purchased)	Toast (purchased)
II		
Berries (fresh)	Berries (frozen)	Berries (canned)
Waffles, sirup	Waffles (prepared mix), sirup	Waffles (frozen), sirup
Bacon	Bacon	Bacon
<u>Lunch</u>		
I		
Beef pie	Beef pie (canned meat; pastry mix)	Beef pie (frozen)
Cole slaw	Cole slaw (preshredded)	Cole slaw (purchased)
Bread (purchased)	Bread (purchased)	Bread (purchased)
Butterscotch-nut pudding	Butterscotch-nut pudding (a mix requiring cooking)	Butterscotch-nut pudding (a mix requiring no cooking)

Home-prepared

Partially prepared

Ready-to-serve

Lunch---Continued

II

Macaroni and cheese	Macaroni and cheese (packaged)	Macaroni and cheese (canned)
Green salad and tomato with homemade dressing	Green salad and tomato (prepackaged) with dressing (homemade)	Green salad and tomato (prepackaged) with dressing (commercial)
Corn muffins	Corn muffins (prepared mix)	Corn muffins (purchased)
Peaches, sliced (fresh)	Peaches, sliced (frozen)	Peaches, sliced (canned)
Raisin cookies	Raisin cookies (prepared mix)	Raisin cookies (purchased)

Dinner

I

Fried chicken (whole, ready to cook)	Fried chicken (cut-up, ready to cook)	Fried chicken (frozen fried)
Spanish rice	Spanish rice (precooked rice; canned tomato sauce)	Spanish rice (canned)
Leaf spinach	Leaf spinach (packaged, washed)	Leaf spinach (frozen)
Fruit salad (fresh) with dressing (homemade)	Fruit salad (several kinds of canned fruits) with dressing (commer- cial) and fruit juice	Fruit salad (canned fruit salad mixture) with dressing (commercial)
Biscuits	Biscuits (prepared mix)	Biscuits (canned)
Sherbet	Sherbet (prepared mix)	Sherbet (purchased)
Angel cake	Angel cake (prepared mix)	Angel cake (purchased)

II

Hot baked ham (tendered)	Hot baked ham (canned)	Hot baked ham (canned)
Potato salad with pickle garnish--dressing (homemade)	Potato salad with pickle garnish (canned potatoes) dressing (commercial)	Potato salad (purchased)
Green beans, cut (fresh)	Green beans, cut (frozen)	Green beans, cut (canned)
Rolls	Rolls (partially baked)	Rolls (purchased)
Apple pie	Apple pie (packaged mix; canned apples)	Apple pie (purchased)

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UNITED STATES DEPARTMENT OF AGRICULTURE
Bureau of Agricultural Economics

WHAT FARM PEOPLE ARE DOING ABOUT THE "COST-PRICE SQUEEZE"

Talk by Mabel A. Rollins, Head, Department of Economics
of the Household and Household Management, Cornell University,
at the 31st Annual Agricultural Outlook Conference,
Washington 25, D. C., October 27, 1953

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U. S. DEPARTMENT OF AGRICULTURE

The composition of the group attending this Annual Agricultural Outlook Conference illustrates one of the most significant differences between agriculture and other industries. Agriculture includes the family in a way that is characteristic of no other industry. The complex pattern in which the farm business and the farm family are interwoven makes it most appropriate here that all of us bring what knowledge we have to bear on the situation.

Those of us who work with the family side of the agricultural picture comprehend the importance of the business side and wish to learn more from those who work with it. We also have a conviction, based on our knowledge of the interwoven aspects of agriculture, that our close work with the family side may yield information useful to the business side.

The composition of this group also illustrates another fact about agriculture: We need to bring together our knowledge of what is going on in different parts of the country. I am speaking of what is going on in farm families in New York State.

It seems to be true this year that the farm business will yield less income than in the recent past. The question then arises:

Have farm families suffered enough of a loss in income
to cause retrenchment in family living?

When a reduction occurs in the income from which the family living is obtained, there seem to be several possible courses of action. The family can supplement this income in some way, possibly by wife's efforts; draw upon savings; curtail investments; go into debt; curtail consumption.

All these possibilities, of course, are not open to all families and the exact order of the adjustment made may differ from family to family.

Curtailment in consumption generally comes late. The relative stability of consumption is indicated on the national level by the relation among changes in such figures as National Income, Savings, Personal Consumption Expenditures and the like and on an individual level by an appraisal of our actions. Expenditures, of course, may be curtailed earlier, due to a decrease in the price paid or an increase in contribution of family labor or both, but the foregoing of a customary commodity or service would not occur as a result.

One other fact might be noted. Farm people represent only about 4 percent of our total state population. Nonfarm incomes have not been cut. If your neighbors have an expanding level of living, it is difficult for you to contract.

So far, farm families in New York are far from exhausting the pleasant alternatives to curtailing consumption. Some aspects of farm family living on which some information is available follows.

Housing and equipment.--Expenditures for housing and for durable goods are usually among the first curtailments. Expenditures for housing among New York State farm families are usually for improvement of an existing house. Considerable possibility exists for making these improvements with family labor. Thus the expenditure might be curtailed without the foregoing of the improvements.

From the point of view of durable goods, farm families are well situated compared to city families in most items, except running hot and cold water and central heating (table 1). The improvement in 16 years in this

TABLE 1.--PERCENT OF HOMES WITH CERTAIN EQUIPMENT

Equipment	127 home- makers Byron and Stafford townships, Genesee Co., New York 1936	95 home- makers Byron and Stafford townships, Genesee Co., New York 1952	102 city home- makers 1952	53 employed city home- makers 1952
Electricity for lighting.....	74	100	100	100
Electric iron.....	64	100	100	96
Electric or gas refrigerator.....	15	99	100	100
Electric washing machine.....	65	98	93	81
Electric vacuum cleaner.....	53	91	98	98
Furnace.....	40	85	96	92
Running hot and cold water.....	15	77	100	100
Electric range.....	4))12	46))80	14))99	17))100
Gas range.....	8)	34)	85)	83)
Electric ironer....	0	14	15	9

Adapted from: Warren, Jean, Use of time in its relation to home management, Cornell Univ. Exp. Sta. Bul. 734, 1940.

Wiegand, Elizabeth, Comparative use of time of farm and city full-time homemakers and city homemakers in the labor force in relation to home management, (unpublished thesis).

respect is startling. This group of farm families today is much more like the city families than they are like themselves 16 years ago. Expenditures for many items of equipment will have to be for replacements which might tend to decrease cash spent in this direction. Not all will be replaced at one time and for some items there will be a trade-in allowance.

Processed foods.—From a consideration of the time spent for marketing and record keeping, which has increased from 0.5 to 0.8 hours and in the time spent for food preparation, which has decreased from 2.3 hours to 1.8 hours, it would seem that farm families were making more use of factory-food preparation (table 2). Methods of work and equipment are tied up with the change to factory prepared foods. A wood stove that supplies the heat and hot water for the house encourages food processes that take time.

TABLE 2.—TIME SPENT ON CERTAIN HOMEMAKING ACTIVITIES BY 427 FARM HOMEMAKERS IN GENESEE COUNTY, NEW YORK, 1936 AND 95 FARM HOMEMAKERS IN GENESEE COUNTY, 1952

Activity	Hours spent per day	
	1936	1952
Total homemaking.....	8.2	7.6
Food preparation.....	2.3	1.8
Marketing and record keeping..	0.5	0.8
Care of clothing.....	1.0	1.7

Adapted from: Warren, Jean, Use of time in its relation to home management, Cornell Univ. Exp. Sta. Bul. 734, 1940.

Wiegand, Elizabeth, Comparative use of time of farm and city full-time homemakers and city homemakers in the labor force in relation to home management, (unpublished thesis).

One might note in passing that ownership of durable equipment may tend to make the level of consumption less flexible. For example, when a car is owned, less can be saved by walking than if expenditures were made for public transportation service; with a washing machine less can be saved by wearing a shirt a day longer, than if it were sent to the laundry.

Farm homemakers will probably talk about the high cost of food. People talk about this long before they are willing to curtail their level of eating.

How important is the employment of women outside the home to farm families?

Since the first possibility that was indicated as a way to adjust to a decreased income was to find a supplementary source of income, it might look as if farm wives would enter the labor market.

Any facts I have on this subject apply to farms where farming is the full-time occupation of the husband or head of the household. On these farms it is not customary for the farm homemaker to work away from home. In the study of ways in which homemakers spent their time in 1952, it was found that only 1 of the 95 farm homemakers had a job away from home taking 15 hours a week or more. In a study made last summer in a different county, it was found that 3 out of the 30 farm homemakers had such jobs away from home, and 2 more worked for a shorter period. We found 24 of the 60 rural nonfarm wives were working away from home but tabulations are not sufficiently far along to determine what proportion were working 15 hours a week or more.

The reasons why wives on these farms do not work away from home are rather easy to understand (table 3). For many of them an outside job exists on the farm. On the average, the farm wives spent an hour a day in farm work. This work ranged from heavy work in the barn to answering the telephone and interviewing salesmen. A number of jobs for which industry and business have found women highly satisfactory exist on the farm - particularly, one might guess on the large farms. Nineteen of the 95 farm homemakers worked a sufficient amount of time on the farm to meet the criterion of the U. S. Bureau of the Census for an employed worker.

TABLE 3.—HOURS SPENT BY HOMEMAKERS ON CERTAIN KINDS OF WORK

Kind of work	Hours spent per day			
	497 farm homemakers Genesee Co. 1936	95 farm homemakers Genesee Co. 1952	102 city home- makers 1952	53 employed city home- makers 1952
Total work	9.7	9.0	8.1	11.5
Farm work	1.0	1.0	-	-
Homemaking	8.2	7.6	7.4	4.1
Paid employment	-	*	0.3	6.8
Other work	0.5	0.4	0.4	0.6

*Less than 5 minutes

The homemaking work load on a farm is heavier than that in a city household. The number of rooms in the farm house are greater - 9 to 15 rooms was the common number in 50 percent of the farm houses, and 5 to 6 rooms common in 60 percent of the city households. The number of children was greater in the farm homes.

Last, but I am not sure least, wives are likely to be found where their husbands are. Husbands working full time on the farm are likely to be around the home place, and one might guess that the wives will be there too.

The amount of time spent on farm work was the same in 1952 as in 1936.

Wives of full-time farmers are not likely to supplement the income by work outside the home. The situation may differ decidedly in the case of part-time farmers but no information on this point is available.

To summarize:

Farm families in New York State have not had a sufficient loss of income to cause them to retrench in their living. They may spend a little less money on living this year because of lower prices (doubtful), more family labor (possible), or their well-stocked position (fairly probable).

Wives of full-time farmers do not have full-time jobs away from home and probably will not change in the present situation.

A shift from present levels of consumption of factory-produced foods probably calls for a sufficiently great enough shift in procedures to call for more pressure for curtailment than exists at present.

Farm women, in addition to others, are likely to be concerned with prices, especially food prices, and highly aware of "spreads," or marketing costs. Now seems to be a good time for Extension Service to prepare material on this subject.

I have the honor to acknowledge the receipt of your letter of the 10th inst. in relation to the above matter. The same has been forwarded to the proper authorities for their consideration.

Very respectfully,
J. H. [Signature]

Enclosed for you are the following documents:

1. A copy of the report of the Committee on the subject of the proposed amendment to the Constitution, as passed by the House of Representatives on the 10th inst.

2. A copy of the report of the Committee on the subject of the proposed amendment to the Constitution, as passed by the Senate on the 10th inst.

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